





WHITHER FRANCE?
WHITHER EUROPE?

**A REMARKABLE INDICTMENT OF
FRANCE'S VINDICTIVENESS
TOWARDS GERMANY**

**THE DECADENCE OF
EUROPE: THE PATHS TO
RECONSTRUCTION**

By FRANCESCO NITTI

Former Premier of Italy

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J. Carillon

WHITHER FRANCE? WHITHER EUROPE?

By JOSEPH CAILLAUX  *Translated*
from the French by K. M. ARMSTRONG 



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PREFACE

THE wish has been expressed that my last book, *Où va la France? Où va l'Europe?* be translated into English, and it is both a duty and a pleasure to me to present it in a few words to those who, in Anglo-Saxon countries, will consent to read it.

Some explanations, and even corrections, would have been necessary, for the volume was written more than a year ago, and we live in such changing times, the peace which was vouchsafed to us in 1919 is so disconcerting, so fertile in vicissitudes, that the economist or the politician labouring at the problem of world reconstruction writes on sand. The miserable little slips of paper on which he writes, more or less happily, are likely to become faded and discoloured in a few weeks, to be borne away like leaves torn from a tree by the wind, whirling them into the air, only to let them fall again to the ground, curled and withered.

I yield perhaps to the illusions cherished by all those who hold a pen, but it appears to me that facts have given no denial of any kind to the opinions or previsions expressed in a book which I have just read through again. The only reproach which I can bring upon myself is in not having charged my palette with colours dark enough when I painted

PREFACE

the state of Europe and when, coming into conflict with the beliefs current at that time, I showed the "economic rocks" towards which Germany was heading and also, through lack of complete details, for having too feebly portrayed the magnitude of the agricultural revolution which had come about in the east of the old continent.

It may doubtless be granted me that there are details and shades, and I may be permitted to hold that in every great question which I have studied, whether I have touched on the fringe of the economics of the universe or whether I have dealt with the problem of reparations, or even when I have predicted that Europe was on the eve of becoming an anarchic feudality, or when I have stated the direction to which Soviet Russia was leading, my opinions have not been contradicted by events.

An English publication of high standing, *The Economic Review*, describes, in a particularly friendly article, the good fortune which has fallen to me.

It attributes to me "the eye which can discern, in the obscure confusion of history, the which and the whither of human evolutions, not of course with an accuracy which no man can presume to claim, but with the eye of one who. . . ." I omit these last words in order not to bring ridicule upon them by an excess of eulogy.

Moreover I have only given the quotation because it *grasped* the main idea of the book. I shall resume it in this preface.

To master, while retracing to their origin, the

coarse disputes between waif-plunderers, the quarrels of a day between political parties, or even, between peoples, to define our civilisation, to seek the meaning and the rhythm of its movements, to discern the immense economic forces which weigh upon it, to show the danger to which they subject a man in bending him to their inordinate despotism, this is the theme of the book.

What are these forces ?

The Man in the Street replies: Finance, this mysterious International Finance which appears to him, or which is made to appear to him, as a sort of dragon of the Apocalypse.

The Communist, the Socialist who has not paused to reflect, cries Capitalism ! He imagines, naïvely, that all our ills arise from a system of production and distribution of wealth, that it only needs for these to be overthrown for the happiness of humanity to be assured.

I have written in this volume that Capitalism has been, and is, only a method of progress which was prodigiously efficacious and of which the future is uncertain—a gamble—but it is not that which gives the world its troubled physiognomy. It is the industrial disorganisation and lack of scientific discipline which cause the formidable economic instability, finding its echo in every condition of life, from which we suffer.

As to international finance, it is, in my opinion, far less menacing than national industry. A *hypothetical* control, exercised by a group of cosmopolitan financiers over the entire world, would

PREFACE

certainly bring with it political dangers ; it would not be an obstacle to material progress—quite on the contrary—while the march of humanity is encumbered by the blind rivalries of the nationalist captains of industry, scantily entrenched behind their lines of Custom-houses, greedy for their profits day by day, deaf to the menaces of catastrophe, putting science in servitude, debasing it to the purposes of destruction when these purposes serve their appetites for money.

The unintelligent pursuit of gain, neglect, the disregard of the limits set to morality and which have been moulded by religions and philosophies to curb their greed, their ambition, and their base passions ; such are the defects of our civilisation. They place it in grave peril.

It is vain to suppose, as certain people do, that this civilisation is more firmly *welded* than its predecessors ; that it does not run the risk of being engulfed as those were under the avalanche of barbarism because scientific inventions have woven and reinforced the threads of the fabric which hold it together.

It is precisely the progress in technical matters which alarms me. I fear that, in giving men the means to destruction, they are only leading society to the abysses where one loses sight of the noble words of Rabelais : “ Science without Conscience is the death of the soul.”

Those who read this volume will retain in mind, perhaps, from among others, the pages where, in
viii

developing these ideas, I have sought what might be the internal motive force of social organisations of the present day and those of the future. I have given the substance of my meditations. They are in harmony with certain views of the great historian Guglielmo Ferrero. They espouse, as the vine is wedded to the young elm, the words of an English writer : " The very existence of man depends without doubt on his ability to rediscover a common law of spiritual life."

I shall have happily traced my path on earth in which I seek to labour if I can imprint these reflections upon the minds of a few leaders of men belonging to this Anglo-Saxon race, rich in such a dazzling past, or on those races of the New World, resplendent in youth, called to the highest destiny.

May they understand that they will only fulfil their mission if they labour to install " the common laws of spiritual life " without which there is no possibility of human progress. I know that there are some who doubt the reality of progress, and one is sometimes tempted to believe they are right in their opinions when one measures the savagery and ineptitude of the struggles between peoples which have filled these later years ; when one is mindful of the epidemics of violences and the stupid massacres which have followed them.

But let us banish these withering thoughts ; let us remember the words of Renan on the symbolical path towards the summits to which man is climbing by a zig-zag route. Let us evoke the

PREFACE

periods in history where the human soul has been ennobled by great purifying breezes.

It depends upon the men of high mentality, scattered sparsely in divers countries, to bring back to life these epoques of clearness which our ancestors knew, when, animated by the encyclopædists of the eighteenth century, they struggled for the independence of America, then spread in 1789 a new gospel of dignity and human nobility.

If I hesitate to believe with Carlyle that the world is ruled by those whom he qualifies "heroes," I am profoundly convinced that the individuals of disinterested mind, to whom I recall what I have said, that they are the source of all human progress on earth, can determine the renovations which condition the development of humanity. Their duty is, in any case to raise themselves to this great task.

J. CAILLAUX.

ARCACHON,
December 4th, 1922.

CONTENTS

CHAPTER I

A GLANCE BACKWARDS

The European states in 1914. The obstinacy and secret activities of the conservative classes in France and England: the aristocratic bureaucracy in Central and Eastern Europe; their desire for war. Economic evolution since the eighteenth century; free trade; protection; trusts, cartels and industrial syndicates; export premiums. Industrial struggles develop into national struggles: the influence for peace which the great banks should have exercised; the mediocrity of the business world. The governing classes responsible for not having known how to prevent the war. The scramble for booty precedes the breakdown

pp. 1-29

CHAPTER II

THE BREAKDOWN—THE WORLD IN 1921

The financial situation; national debts; "dead weight debts," and the debt corresponding to the growth of assets. The weight of debt charges on labour; how it varies in different countries. An unbalanced world. Omniproduction in every country. Economic confusion. The chaos of exchange; its financial and economic causes and consequences pp. 30-53

CHAPTER III

ECONOMIC EUROPE

The lying phrase, "War enriches." The European factory; the power of economic geography. The working class misled.

CONTENTS

Rural democracy in France; the peasants in Central Europe and Russia. The middle class. The qualities of the French people pp. 54-82

CHAPTER IV

THE ECONOMIC AND FINANCIAL SITUATION OF FRANCE

pp. 83-104

CHAPTER V

ILLUSIONS AND REALITIES

Fixing the German debt; the French taxpayer inevitably loses. Ways of paying the indemnity; in gold; in merchandise; in labour. The occupation of German territory demanded by the nationalists. France's debts to England and the United States; the other inter-allied debts. To see realities and to discard illusions pp. 105-127

CHAPTER VI

SKYSCRAPERS AMID THE RUINS. THE RACE TO THE
ABYSS

Crippled Europe faces the overstocked countries of the New World. Vulgar war profiteers and the great captains of industry; Hugo Stinnes and the "vertical" trusts. The large consortiums outside of Germany. Skyscrapers amid the ruins. Economic solutions envisaged by the plutocrats; monetary inflation. The race to the abyss pp. 128-148

CHAPTER VII

THE MAIN POLITICAL PROBLEM

Communism and Capitalism; the Soviet Government; the defeat of the Bolshevik revolution. The sovereignty of science. Its continual creation of industrial insecurity and economic and political instability. How to profit by its discoveries and yet prevent the disasters which these discoveries often entail?

pp. 149-171

CHAPTER VIII

THE CONDITIONS OF A NEW ORDER

The solutions of the conservatives; the solutions of reformers opposed alike to reaction and to revolution; palliatives; the obstinacy of the oligarchs; Rathenau's daring but utopian conceptions; the tendencies of the great English liberal industrialists and of the study group of the *Confédération Générale du Travail* in France. The eternal conflict between conservative and radical ideals. Partial reforms impossible. Building up the economic state; its subordination to the political state. European reconstruction requires financial and monetary *rapprochement* and commercial agreements between nations. Intellectual and moral anarchy. The democratic doctrine. The rôle of France in the resuscitation of Europe. An appeal to men of good will

pp. 172-204

INDEX pp. 205-208

WHITHER FRANCE? WHITHER EUROPE?

CHAPTER I

A GLANCE BACKWARDS

The European states in 1914. The obstinacy and secret activities of the conservative classes in France and England: the aristocratic bureaucracy in Central and Eastern Europe; their desire for war. Economic evolution since the eighteenth century; free trade; protection; trusts, cartels and industrial syndicates; export premiums. Industrial struggles develop into national struggles: the influence for peace which the great banks should have exercised; the mediocrity of the business world. The governing classes responsible for not having known how to prevent the war. The scramble for booty precedes the breakdown.

“In foreign affairs, if the peoples of the world are not on their guard, the action of a rash and cunning minority is in itself sufficient to produce a catastrophe,” said Jaures, thus couching a half-truth in striking form.

In every period of history the party of reaction and its leaders, feeling themselves insecure, have welcomed war as a useful diversion. In 1914 the reactionaries, ever on the look-out for such a chance, profited by the sleep of the proletariat to wreck the peace of the world.

They would never have been successful, how-

WHITHER FRANCE? WHITHER EUROPE?

ever, had not latent political and economic forces created a situation favourable to their designs. They succeeded only because confusion reigned throughout Europe, precursor of the cataclysm to come; to this confusion governments which were busy only with the immediate present paid scant attention, while other governments treated it with open indulgence. Weak or indolent personages, "systematic and infatuated men," puppets placed by chance at the head of most of the governments, bowed before the tempest which in the end swept away those who had discreetly favoured its development as well as those who allowed it to surprise them.

When the wind shrieks across the ocean, when the sea begins to rise, the ships which are wrecked are those whose captains have not known enough—or have not wanted—to change their course in time.

Future historians will be tempted to write that in pre-war Europe there were, politically speaking, two worlds: in the West parliamentarianism, fully developed in France, diluted in Italy and Spain; in Central and Eastern Europe, absolutism, modified in Germany and Austria, complete in Russia and Turkey.

Such are the appearances.

Let us draw back the curtain.

In France government was or seemed to be in the hands of a reasonable and pacific lower middle-class. This class was probably averse to embarking

on great enterprises and might be reproached with a too complete preoccupation with the routine of daily life; but it was anxious to uphold liberty and justice and to improve the lot of the greatest number. Its reforms met with continual opposition from the upper middle-class and the latter's near ally, the aristocracy. After having for a long time played a preponderant rôle in the direction of public affairs, the opulent middle class had been removed from power when the country came to recognise clearly that it was clerical and reactionary. Deprived by universal suffrage of the hegemony which its members had so long enjoyed, having vainly lodged appeals and attempted to regain a majority in the Chamber, this class decided upon other tactics and turned itself to dominating the popular assemblies. Aided by the superior education that money gives in insufficiently democratic states, it managed to recapture important administrative positions in many government departments. In this way it came to exercise an influence over Parliament and by carefully calculated resistance obstructed the work of reform; it even gained a certain amount of control over our foreign policy. The bourgeoisie would never have been so successful had not its resources put it in control of the press and enabled it to build up a force outside of and even superior to the regularly constituted authorities.

No well-informed politician can have failed to notice the transformation which has taken place in journalism in the last thirty years. The journals

WHITHER FRANCE? WHITHER EUROPE?

of opinion which used to assemble their readers strictly on party lines, which used to balance and counteract one another, as it were, have been superseded by great news organs. What has happened in industry has also happened with the press. Massive citadels have been erected which overshadow and threaten to crush the smaller fortresses. An enterprise so vast as a newspaper, requiring millions, was bound to depend for support upon the moneyed classes. The latter at first managed to influence the two Houses of Parliament and then to gain an ascendancy over them, thanks to a press which at the word of command defamed and calumniated parties and their leaders, discredited parliamentarians and their bills, and ridiculed the government and its projects of reform.

So the aristocracy of money and birth reinstated itself. And it did this all the more boldly since, having seized power surreptitiously, it did not have to shoulder any responsibility. It had a presentiment, however, that this abnormal situation could not last. In order to strengthen its position it began exploiting patriotism. It tried to rekindle in a country naturally fond of military glory the burning memory of past defeats; it railed at the prudent spirit of the lower middle-class; it created a nationalistic current—directed by a small but active minority—which met and divided the great flood of pacific democracy.

In England the situation was less tense because the British tradition upheld parliamentary power. Nevertheless, with our neighbours as with us the

machinery of government was damaged. The men in power during the years before the war had obtained from Parliament, by virtue of a new regulation giving the majority rather brutal control, daring reforms which particularly affected the conservative class. The members of this class, in a minority in the House of Commons and unable longer to rely upon the House of Lords, deprived as it was of its authority and reduced to the rôle of a mere consultative assembly, sought allies abroad. In 1914 they had reached the point of preparing armed resistance, though it involved civil war, against a law which displeased them. Long before this they had got control of a part of the press. As in France, they had built up newspapers, dominated by political passions. At the same time they had tightened their traditional hold on the major administrative offices.

Anyone with a knowledge of the history of England knows that her foreign policy is directed by the Foreign Office and the Civil Service, which represent tradition, rather than by the men in the Government, who represent the will of the people. Invested with a far more effective power than their French counterparts, the English Civil servants, grouped in such organisations as the "Round Table" which counts among its members a number of Oxford men holding important government positions, devised great schemes and worked quietly to further them. These schemers hoped to restore simultaneously the tottering power of their caste and Great Britain's world supremacy. They

WHITHER FRANCE? WHITHER EUROPE?

stretched out their hands across the Channel towards the French nationalists; they stirred up in certain French papers campaigns which they judged useful to their plans. One of these papers, though already receiving a subsidy from Count Tisza, hastened to accept the British manna as well.¹

The confusion was even more acute in Central and Eastern Europe. In spite of a régime of apparently representative government in Germany and Austria, the real power belonged not to the elected bodies, which played a subordinate part, but to an aristocratic bureaucracy. This bureaucracy was threatened by two strong forces: the middle-class and the proletariat. Fearing the working masses above all else, those in power tried to appease them by pecuniary concessions. Such concessions only slightly retarded labour's political development and at the same time caused much worry in capitalistic circles.

To combat the proletariat the disgusted middle-class employed the same weapons as the French and English reactionaries; it turned to the press for support. It, also, made every effort to gain a secure foothold in the government administration. Members of the aristocratic class, which formed the backbone of the government, felt themselves

¹ In my previous book, *Mes Prisons*, I gave proof of the agreement concluded between the *Figaro* and Count Tisza through Linscher. As far as the English subsidies are concerned I await a denial. I doubt if the 2nd Bureau of our General Staff will issue one.

overwhelmed ; they saw no other way to maintain their position than to embark on foreign ventures. They desired war. From its successful issue—that it would be successful their vanity never for a moment allowed them to doubt—they hoped to derive means for preserving their privileges. A great part of the arrogant middle-class, such as business men and professors who had invented the doctrine of a Germany who should be mistress of the world, followed the lead of the aristocracy. At different periods, in 1905 and 1911, these various groups felt sure of bringing on the conflict. They did not succeed. The man at the head of the German Empire, whose dreary state of mind Kautsky's documents reveal, gave in, as he would doubtless have given in again in 1914 had he met with the same determined will for peace as in 1905 and 1911 and had not the widespread conspiracy against the peace of the world grown to such proportions that the last remnants of his half-hearted resistance were swept away.

In Russia, behind a fragile façade of organisation, disorder and anarchy reigned. A rotten bureaucracy governed immense masses of men among whom, though the greater number were still inchoate, the seeds of revolution were already sown and multiplying. The government could no longer control the middle-class, for the latter often came into contact with Western civilisation and found the stupid tyranny under which it groaned more and more intolerable. It has been said not unjustly that France under the old régime was a

despotism tempered by privilege. It is equally apt to say that pre-war Russia was subjected to absolutism tempered by corruption. What kind of corruption? Those who have talked with Western business men back from Russia will have an idea of it. What kind of absolutism? To understand it, it is enough to have read Count Witte's recent memoirs. However surprising it may seem to the majority of Frenchmen, convinced by the press of the "paternalism" and pacific character of Nicholas II, it appears from the memoirs of his Prime Minister that the last of the Tsars was an imbecile and sanguinary despot, dominated by a court camarilla, constantly on the verge of provoking armed conflict. Witte shows how his Emperor sought to declare, and in fact was on the point of declaring, war on Turkey, how he and he alone let loose the war on Japan without the knowledge of his ministers who were themselves busily and mysteriously engaged on an equally bellicose, though entirely opposite, policy.

"He longed to wage a victorious war," writes Count Witte. For the glory of it? Out of vanity? From mere stupidity? Yes, undoubtedly but also because it was impossible that even he should not feel that the air of his immense empire was stifling; that revolution was inevitable.

"We need a victorious little war to stem the tide of revolution," Witte quotes Kouropatkin, Minister of War, as saying to Plehve, Minister of the Interior. And this gives an excellent picture of the state of mind of the Emperor and of the

favourites who surrounded him and governed him.

Thus we see that the aristocracies of Eastern and Central Europe, feeling themselves about to be overwhelmed, had sought a way out through a general conflagration. They were more or less abetted by the governing classes in the West, who in their anxiety to escape reforms destined to lessen their influence had consciously or unconsciously, by damaging the machinery of government and creating a general feeling of uncertainty, set the political stage for the advent of the Great War.

But meanwhile the majorities everywhere were resisting them. Great forces of peace kept on working in spite of the growing confusion. The upright citizens of Europe, the leaders of the advanced parties, the far-sighted men whom universal suffrage had placed in power in England and France, did all they could to stem the rising tide. Undoubtedly they would have succeeded once again in driving back the hydra of war had not certain economic forces come into play.

Whatever one's favourite doctrine, one cannot deny that when Karl Marx elaborated the materialistic conception of history he made a valuable contribution to sociology. Although one may feel obliged to relegate to its proper place a theory which, taken literally, subordinates to economic evolution all facts of history and which fails to recognise the part played by the idealistic factor in human affairs, it remains none the less true that friction

WHITHER FRANCE? WHITHER EUROPE?

among nations springs largely from economic causes. It is indispensable to recognise this in order to perceive the origin and the meaning of the movements which, at certain times, carry alone the peoples of the earth.

In order to explain the situation which led to the catastrophe in 1914 we will glance briefly at the chief phases of economic development from the end of the eighteenth century to the present day.

Everybody knows that the principal cause of the Revolution of 1789 was the need for breaking down the system of internal customs, the feudal rights and all the thousand other obstacles from which the old régime's out-worn fiscal laws had not the power to free the country. France could no longer live, economically or financially, entangled as she was in the network of privileges and inequalities which existed not only between classes but even between sections of the country. These inequalities were due, at least in part, to the conditions under which national unity had been achieved and to the contracts which had been made as each new province was acquired.

The economists and encyclopædists stimulated the great movement of ideas which inspired the nation and led it to break its bonds. The work which the French Revolution accomplished at home was spread abroad by its armies. When in 1815 reaction triumphed, provoked by adventurous and magnificent wars, the Holy Alliance was able to smother all political liberty. But it did not

dare to re-establish feudal rights, road tolls, or the internal customs which the Napoleonic Wars had wiped out in Eastern and in part of Central Europe. Feudalism, unable to adapt itself to new conditions, had died.

The movement spread more and more widely during the course of the nineteenth century. The last customs walls which barred the road leading to national unity were giving way. They were being broken down not only because they stood in the way of the political solidarity so dear to the hearts of the people but also because the latter realised that in order to attain a full economic development freer outlets must be found for agriculture and industry.

A great flood of ideas was to carry humanity still further. The heirs of the physiocratic school, the thinkers and politicians who were imbued with the principles of Quesnay, David Hume, Adam Smith, and Turgot, all devoted their lives to showing that customs barriers between nations were prejudicial to the consumer and useless to the producer. They had no difficulty in proving that the common interest required free circulation of products. In the name of human progress they demanded free trade.

In England this doctrine, which found expression in romantic literature and among political liberals, met with immense success. Robert Peel, and later Gladstone, made Great Britain the country of free trade. The disciples of Bastiat thought for a moment that they had won their case when, by the treaties of commerce of 1860, France abandoned

protection and seemed to start on the road towards free trade. Simultaneously Germany, united in the Zollverein, adopted a very moderate tariff; Italy and most of the other continental countries followed suit. Between 1860 and 1870 it really seemed as though the world—or at any rate Europe—was headed toward complete free trade, and those fine spirits who had waged the battle against protection looked forward to the eventual disappearance of economic wars between nations. Great liberals, great democrats, great pacifists and at the same time great economists, they persuaded themselves that the free circulation of products would bring not only better conditions for the poor but that it would be the palladium of peace. “Free trade, the great peacemaker,” cried Richard Cobden. And one of the leaders of the French socialist school, Proudhon, echoed this sentiment; he considered “liberating and pacifying free-trade” as the most efficacious bond between peoples.

They were both theoretically in the right. But, carried away by the noblest of human passions, that for the happiness of humanity, they did not see the forces of evil working in the shadow, they did not understand that in economics even the sanest doctrines have only short success if they fail to adapt themselves to the ebb and flow of humanity's selfish interests. Their doctrines owed success less to their intrinsic value than to momentarily favourable circumstances. The rapid development of means of communication and the sudden industrial activity caused by the introduction of steam had

opened up new possibilities of production and consumption which could only be satisfied by broader markets. The doctrines of Cobden, Bastiat, and Proudhon were favourably received because they permitted industrial and commercial expansion at the same time that they served the consumer. But it soon appeared that these formulæ were incomplete; they were designed too exclusively for the consumer and rested, so far as the producer was concerned, solely upon the assumption that complete freedom most thoroughly served to bring the world together; they intimated that it was enough to announce free competition and freedom of contract in order to bring them into existence and to insure that their promises of justice and humanity should be effective. In short, these doctrines, tinged as they were with a somewhat anarchical romanticism, and founded in part on a belief, *à la Rousseau*, in the goodness of mankind in a state of nature, made no provision for practical organisation.

And so it happened that manufacturers, having flooded the restricted markets immediately in sight, the capacity of which they knew, and finding themselves presented with unknown and apparently unlimited outlets, the capacity of which they could only guess, turned their energies to supplying these new fields by increasing production without really knowing if it would exceed the demand. The result was periodical crises, carrying in their wake ruin and unemployment. Production got in the habit of jumping from panic to panic.

It also happened that the working man, nominally left free, in the struggle with his employer, possessed as a matter of fact only the right to choose between misery and the working conditions imposed by his moneyed masters.

From then on the great liberal conception met with a double opposition: opposition from the capitalistic world, which clamoured, fairly enough, for the organisation of the producers, but with the ultimate aim of re-establishing ancient privileges; and opposition from the most advanced democrats, who wanted, also justly, to save the labourers from insecurity, but who, tempted by immediate gain, often accepted reactionary solutions proposed by the conservatives. These two tendencies drove Europe little by little towards ideas which a few years before would have been considered outworn. It fell to the man who best symbolised this brutal reaction to take the first backward step. Prince Bismarck re-established a protective tariff in Germany. His example was followed by most of the neighbouring countries. Not without hesitation, and only after long and bitter parliamentary struggles, did republican France follow suit. England alone remained the country of free trade. But even in the country of Cobden and Bright a violent current set in which at one time threatened to give a majority in favour of a moderate tariff, particularly as a retaliatory measure.

The practice of protection engendered entirely new business habits whose origin and development we must study.

Protection was best restored under the hypocritical pretext of protecting European agriculture against the competition of the new American world, but it was immediately extended to industry. Specious arguments, naturally, were not hard to find. It was claimed that by protecting the farmer the price of agricultural products was raised, living was made more expensive and salaries were increased. It was only fair, it was said, to protect industry, which otherwise would succumb beneath the burden of increased wages. This reasoning could not justify barriers between the European peoples, who all alike taxed the products of the New World. It should have resulted in moderate tariffs, not in orgies of taxation.

But no one was telling the truth.

The truth was that the manufacturers wanted to secure peaceful possession of the home markets for themselves in order to increase their profits. They began to form groups and associations under different names with the aim of fixing prices and of raising them to the maximum possible figure. In other words, each nation was subjected to a regular tax, levied not for the benefit of the state but for the profit of an oligarchy—an invisible tax consisting of the difference between the cost price, including the normal manufacturers' profit, and the artificial sales price brought about by imposing import duties.

The establishment of this peculiar tax entailed new difficulties. The manufactured product of one industry is the raw material of another. By raising

the sales price in favour of certain manufacturers, irreparable damage may be done to others. Take one example out of a thousand. When, with the help of import duties, the metallurgical industry of a nation decides upon an increase in the price of steel, it is acutely felt by all the industries using steel. All clamour for compensation. There is only one way to give it to them ; that is to extend the scope of the agreements between producers, to form associations to divide up and distribute profits and to build up a whole set of subterranean regulations. Such regulations are of course shaken to their foundation by the slightest change in business methods and have to be recast. Let some one discover a new method of manufacturing a certain steel product, and at once new regulations must feverishly be worked out. The iron industry, the steel industry, and the electro-metallurgical industries must at once come together and struggle over new contracts and find ways to conciliate new interests—except, of course, the interest of the consumer, about which no one bothers. If it is impossible to satisfy every one, the industries turn to the government. Under divers pretexts they request a modification of the tariff, which consequently is constantly being changed to meet the disordered needs of the industrialists.

We have used the word "regulations," but how inadequate it is. These regulations are really mysterious and artificial legislation, enacted by the representatives of business in meetings where they with one breath protest against official interven-

tion to lower the cost of bread and meat and decree long lists of taxes, buttressed up by tariff protection.

This state of affairs we tolerated because the public had only a vague presentiment of it and because they realised at the same time the advantages undoubtedly attendant upon associations of manufacturers. Concerted action by the producers tended to reduce the number of panics and decrease unemployment. By stressing the necessity of organisation industry was able almost everywhere to form combines under one name or another.

The strength of these combinations varied in different countries. While gigantic trusts were being born in America, while many powerful cartels were coming into existence in Germany, in France, and in certain other countries, only a few of the large industries had grouped themselves into syndicates, and these were weakened by dissension and by greed for easy profits.

And then came the second stage in the industrial evolution which was taking place as the result of neo-protection.

The American trusts and especially the German cartels pretended to be under the necessity of expanding abroad. In this, they were merely obeying a law of nature. Their developments being limited by agreements to supply exactly the domestic demand, the syndicated industries were bound to look abroad. They naturally tried to make the most of their advantages as monopolies and to extend their control beyond their own frontiers. It was the more easy for them to invade

foreign markets because they could always count on the invisible home tax which guaranteed them their existence and so allowed them to get along with small profits in foreign fields. They were even willing to go so far as to sacrifice all direct profit abroad, seeking merely to reduce their general overhead. Industrial leaders in some countries—notably Germany—went one step further. They decided to utilise part of the profits realised at home by virtue of high prices to enable them to sell at a loss abroad so as to crush their foreign competitors. They practised what the English call “dumping.”

This was aggression in the economic field—not the relatively peaceful aggression (if one may use such contradictory terms), of Cobden and Proudhon, but war without cease or mercy, passionate and savage war, all the more dangerous in that the industrial struggles were soon transformed into national struggles.

In the now distant days of our great grandparents, when industry was weak and unco-ordinated, competition between producers reacted in a limited and, as it were, accidental fashion upon the political situation. French and English spinners, for example from 1830 to 1850, waged against each other a real battle which had as results increased customs duties and even boycotting. The public on both sides of the Channel watched the struggle absent-mindedly, they applauded the efforts of their respective countrymen and, of course, wished for their success, but they did not feel that they were taking part in the battle as a nation. This state

of mind underwent a change when industry, under the shadow of neo-protection, began to be organised into groups. The German cartels, for example, managed to enmesh the whole country. There were few German citizens who did not feel a direct interest in the development of German industry, few who did not see in the victory of a French or an English over a German firm, a blow to the Fatherland. And when the offensive followed the defensive, when the cartels went forth to conquer foreign markets by practising a system of disguised export premiums, the great majority of the German "bourgeoisie" became passionately interested in the success of their tactics. Retaliatory measures in France and England naturally obtained the equally strong support of public opinion there.

The die was cast.

The process of cartelisation successfully removed competition; it undoubtedly brought with it a relatively ordered home production; it made more flexible the relations between employers who were enjoying the protection of the same tariff. But at the same time it formed the employers into armies; it led them to throw their united strength against foreign competitors. Collective conflicts—national conflicts—replaced the scattered rivalries of a few industrialists.

The danger was immense. If the violence which had been introduced into industrial life by the formulæ of protection were to continue, if it should become intensified, war between the threatened and threatening peoples was inevitable. There

was only one remedy : to introduce discipline into the ranks of big business, which no one dreamt of destroying since it constituted a partial advance ; to start it on a road of international understanding which should lead to the lowering of customs barriers ; and to direct the business world towards the economic union of Europe. Sketchy attempts were made in this direction. International syndicates for filling certain government orders were superimposed above the heads of existing trusts and cartels. A few political leaders who discerned the danger ahead were thus able to hope that, under government guidance, the banks might come to play the great rôle which Saint Simon had long ago assigned them—that they might, indeed, become the regulating factor in international production.

With his characteristic intellectual ubiquity, Jaures had foreseen this problem and its solution. Speaking on December 20, 1911, on the Franco-German accord of November 4, he said : “ The business interests become more complex every day ; they are moving, mixing and ever becoming more entangled. Beyond the frontiers of race and trade, industry and finance are working side by side ; big banks stand back of them, financing them, subsidising them, but also co-ordinating them. And since the most distant auxiliary branch in every country beyond every sea is subsidised by these banks, their power is being extended more and more, co-ordinating capital^o and linking business interests in such a manner that when a single link in the chain of credit breaks in Paris, credit is

shaken in Hamburg and New York. In this way there is brought about a capitalistic solidarity which is formidable when it is the plaything of sordid interests but which may become a guarantee of peace under the inspiration of the common will of the people."

The great socialist orator continued by pointing out that the same thesis had just been set forth in a masterly work published a few months before by a disciple of Marx, Hilferding. Going back to the idea of Saint Simon, Hilferding showed that the "banks, the big banks, by organising capital on an international basis, could distribute the great economic outlets of the world among the producing countries in proportion to their production and their labour resources."

"And this," cried Jaures, "is the principle of economic expansion without territorial monopoly, without industrial monopoly, without tariff monopoly! Yes, this is the great open door referred to by the President of the Council¹ a few days ago, the open door through which business must undoubtedly pass but through which peace must also come."

But three things were necessary if peace were to pass through that door: The will to understanding, which called for a high standard of intelligence both in the large institutions of credit and in industry. European governments so awake to the impending danger, so ardently concerned with

¹ Joseph Caillaux was President of the Council on December 20, 1911. (Editor's note.)

WHITHER FRANCE? WHITHER EUROPE?

the general welfare, as to brave the calumny which always dogs the steps of public men who try to look ahead. And men able to rise above little worries and, supported by public opinion, force the private interests to give way.

But none of these requisites were fulfilled.

“International finance” has always been the subject of bitter vituperation. Politicians in search of a subject for a speech and journalists looking for copy accuse it of the most monstrous crimes. They insinuate that wars are prepared in mysterious conferences of potentates who are appointed by Israel to manage the affairs of the world.

It is an idiotic suggestion which only inane nationalists could gloat over, one at which those familiar with what is called “*la haute finance*” shrug their shoulders. They know only too well that the financial men of *to-day* are not capable of carrying through any diabolical plan—the mere idea of it makes one smile. Most of them are only interested in living from day to day. A small profit is their only passion. It was impossible for such men to comprehend the great part which finance might play, which, indeed, it was in their own interest to have it play. The real interest of finance lay in appeasing the economic competition which prevented the development of large business undertakings, and in forcing the warring industrialists to sit down at the same council tables at which its representatives presided.

A big task and a thankless one! It was under-

stood only by a few men, who were lost among the departmental heads of large financial institutions. No one listened to them. How much more convenient to dispose of government securities to easy-going customers, to patronise questionable industrial concerns, which for the very reason that they were questionable were the more sure to pay excessive profits. How much easier to avoid interfering in the quarrels between producers, to shrink into a corner and nibble at comfortable small commissions, leaving the captains of industry to fight it out among themselves.

These captains of industry have sometimes been held responsible for the Great War ; they planned it systematically, it is said, so as to crush their rivals and at the same time to clear the markets. What an exaggerated importance to attribute to these men ! We doubt if there was a single Lucifer among the industrial magnates. We are sure that, if there was any such, he did not dominate or even influence the action of the great capitalists. He succumbed also beneath the double burden of mediocrity and avarice.

The masters of the cartels and the trusts saw quite plainly that the markets were choked up ; they saw that the producers were strangling one another by attempting to flood with their products countries to which they had free access, by trying to invade the private hunting grounds of others. They felt that the situation could not last much longer. But what was the way out ? Through agreement ? That was too complicated, too dis-

agreeable, too expensive a solution. It was complicated to put on foot far-reaching arrangements. It was disagreeable to enter into agreements with hated rivals—rivals hated in the way that only business knows how to hate. And, finally, it was expensive to intervene, for if this course assured stability and a reasonable degree of expansion it also entailed big and immediate sacrifices. Would not part of the profits derived from protection have to be forgone? An industrially unified Europe would tend towards free trade, or at least towards reduced tariffs. Moreover, the profits of the manufacturers would become even more reduced because the banks, by virtue of their wide connections and comparative freedom of operation, would inevitably assume the leadership of the economic movement—to their own advantage. What a sad prospect!

What other solution was there? None other, of course! And so things drifted. What was known to be an unsettled state of affairs was prolonged and accentuated. In the press, controlled both directly and indirectly by the metallurgical industries, economic and political nationalism was kindled. Out of this would come what would come. There were a few politicians, a very few, it is true, who attempted to impose the unwanted remedy. They were considered all the more dangerous because here and there they found assistants in the world of high finance and because they dreamed of according their actions to the flagging, but none the less genuine, movement of the working masses who aspired to union.

These dangerous men had to be cast aside. They were dreamers, partisans, traitors! They must be attacked, others must be made to attack them, passionately, violently. And, finally, they were overcome! All was well; quiet was restored; the leaders who remained were bound to follow in the wake of those who cried loudest for patriotism, though animated by selfish interests. They allowed the various economic conflicts to spread and to become worse.

But was not the end of all this war?

"Is war really certain?" the business magnates questioned. "And, after all, would it be such a bad thing? Stocks are on hand. A war would help us to dispose of them. The struggle would, of course, be short—all the generals in all the countries have promised us that. If it should last rather long—well—we'll have to put up with it." While Kouropatkin was saying to Plehve, "We need a nice little victorious war to stem the tide of revolution," many a big employer across the Rhine was whispering into the ear of his neighbour—or rival—perhaps across the frontier: "War will save us from all this humanitarian nonsense and deliver us from socialists and their plans. It will do away with the foolish idea of a European union which would eat up our profits. It, and it alone, will secure us large advances in price."

Meanwhile in the chancelleries of Europe, where the aristocrats had taken refuge and where they now dominated the ministers, the importance of numerous diplomatic incidents was being exagger-

ated. A prudent and patient spirit might, and should, have minimised them. But weak or prejudiced politicians, excitable government officials, reactionaries who had been swept off their feet by the force of economic developments, who were unable to control themselves, who hardly wanted to—all these were either secretly working for war or toying with the idea of it.

“The more one reads memoirs and books about the events before August 1, 1914, the more one realises that none of the men at the head of the government really wanted war *at that time*,” said Mr. Lloyd George in a speech on December 23, 1920.

This is true enough if one underlines “at the time,” if one draws attention to the fact that though no leader in August or July 1914, “really wanted” to hurl the peoples of the world over the precipice—every one hesitates on the verge of an abyss!—there were many who, in imagination at least, had looked over the edge and had blustered as they did so.

But, after all, this question is only of secondary importance.

In vain the feeble creatures, the “systematic and infatuated” men, cry out obstinately, “We did not mean to do that.” In vain their defenders hand them the basin of Pontius Pilate which, for centuries, has been passed from hand to hand like the torch of the ancient runner. They did not want peace *enough* to ward off the catastrophe; they were not able to avert the war; that is sufficient.

The break-down following the great war drama was preceded by the scramble for booty.

"Every war that lasts," wrote Flaubert, "becomes a war of money." After the first few months of depression most of the large business enterprises, and even the smaller and less successful ones, enjoyed a rapid recovery, a dizzy increase of activity and profits, a fabulous, unheard-of prosperity.

"The origins of this prosperity are easy to guess. The metallurgical industries, the chemical factories, the manufacturers of all products pertaining to the national defence, found in government contracts a never-failing source of unusual profits and growth. In the words of the director of one of these firms, 'events are whipping up production in the factories.'

"The unwarranted rise in freight rates and corresponding rise in the price of tonnage guaranteed similar profits to the shipping companies.

"Finally, the crises in food stuffs destroyed the balance of supply and demand and provided providential manna for many large concerns as well as for swarms of individuals.

"This process, begun in 1915, grew rapidly in 1916 and 1917.

"Delirious with the fever of success, perhaps because they foresaw the inevitable end of these prodigious times, the great firms set no limit to their ambitions. They indulged in an orgy of profits. Words fail to describe it."

Thus writes a young author, Mme Marthe Lebas, who, aided by various reports to stockholders and

statements in financial journals, attempted to summarise the profits made during the war.

It was rather a patchwork job, since the author herself admits that only small particles of truth filtered through the official documents and many individual businesses entirely escaped the prying eyes of the investigator.

Nevertheless, what a suggestive account it is!

An English Company manufacturing firearms made the equivalent of a million francs in profits in 1912. Its profits in 1916 were 16 millions, in 1917, 21 millions. The surplus of its assets over its liabilities reached about 25 millions in 1919, or over one and one half times its subscribed capital stock.

The largest smelting works in France saw its profits increase from 5 millions in 1913 to 17 millions in 1916 and 18 millions in 1917. Its reserves doubled in 5 years in spite of the payment of 20 millions to stockholders. "The profits made since 1915," wrote *L'Information* in 1919, "far exceed 83 millions. The subscribed capital stock of the firm is 70 millions."

"A shipping company in 1917 made profits which would have appeared chimerical a few years sooner," says the same financial paper. "In this year the company earned 117 millions as compared to 40 millions in pre-war times, with less tonnage, as the submarine losses had not been replaced. Profits in 1914, 6 millions; in 1916, 18 millions; in 1917, 23 millions; in 1918, 45 millions. During this time many marine stocks were called for redemption.

Realisable assets increased from 4 millions in 1914 to 92 millions in 1918."

The profits of a well-known company, the rival of the American oil companies, were swelled enormously, despite the fact that it had important holdings in Russia and Rumania, both of which were invaded and ruined. In 1909 its profits were 13 million florins; in 1916, 32 millions; in 1917, 44 millions; and in 1918, 72 millions.

What is the use of continuing? Why multiply examples? Why cite a certain firm in Japan which in 1915 and 1916 distributed dividends of 220 per cent, and even 600 per cent. One could quote such cases *ad infinitum*. Who does not know this as the war of pillage? We have given a few figures merely to symbolise it.

After the scramble for booty, the break-down. Before looking ahead we must describe it in a few chapters, whose technical allusions we trust will not discourage our readers.

CHAPTER II

THE BREAK-DOWN—THE WORLD IN 1921

The financial situation ; national debts ; “ dead weight debts,” and the debt corresponding to the growth of assets. The weight of debt charges on labour ; how it varies in different countries. An unbalanced world. Omniproduction in every country. Economic confusion. The chaos of exchange ; its financial and economic causes and consequences.

WHILE the great metallurgical firms, the shipping concerns, the food, oil and other businesses were reaping unbelievable profits, while in their tracks the lowest type of wartime plutocracy was springing up, while the million of human corpses piled high in the mud of the trenches were producing floods of gold, the various nations were sinking into financial ruin, the whole world was staggering into economic ruin.

In order to give a faithful picture of the financial situation of the civilised world just before and just after the war, it will be enough to measure the liabilities of the countries concerned and to study the growth of their public debts. A state, with its enormous budgets and its colossal expenditures, is, after all, only a large business concern whose books must be balanced.

At the time of the Napoleonic Consulate, the total debt of all the civilised nations did not exceed 15 milliards

of francs. By the time of the Congress of Vienna it had reached 35 milliards of francs, and had risen to 45 milliards of francs by the time of the Crimean war. It reached 110 milliards in 1875, and 220 milliards just before the out-break of the war.

So between 1875 and 1914 the world's debt had been exactly doubled.

But one must distinguish appearances from facts.

During this same period the nations had either created or enlarged their industries. A great part of the loans issued had been used to found or enlarge these industries,—to so great an extent, in fact, that the debts in question were apparently counter-balanced by new assets. In particular the Powers of Central and Eastern Europe, Germany above all, had railroads which compensated for their debts—reduced them, in fact, to almost nothing.

Of all the countries of the world, France was the most heavily burdened. With a population of less than 40 millions she carried a debt of more than 30 milliards, and she could put in the balance against this only minor industrial possessions composed of a rather poor state railroad system and certain scattered sources of credit, principally railroad companies.

France, therefore, found herself unfavourably situated in comparison to Germany, whose assets almost covered her liabilities; in comparison, too, to the United States, which had virtually wiped out the Civil War debt; and in comparison to England, which, in spite of sustaining almost half the world's liabilities at the end of the Napoleonic Wars, had,

WHITHER FRANCE? WHITHER EUROPE?

with her traditional financial courage, partly paid up her debt in the same way that she had reduced the charges on loans contracted during the nineteenth century.

The extra load borne by our country is not hard to put into figures.

Some years before the war English statesmen had introduced a very subtle but correct differentiation between sections of the national debt. They gave the name "dead weight debts" to debts incurred for unproductive consumption, distinguishing between these debts and debts represented by realisable assets, such as railroads, etc. They pointed out that this part of the national debt, corresponding to bonds which a private company might issue, does not count so long as it is administered and paid off according to business methods, since the interest on it is assured by the industrial revenue which it has itself created.

In 1914 France's "dead weight debt" reached 27 milliards of francs in round figures, and required annual interest payments of 800 to 900 million francs, while England, with a corresponding debt of 16 milliards of francs, paid only 450 to 500 millions in interest yearly. The burden of the United States was negligible and that of Germany very slight.

These differences, which now provoke only a smile, used to cause a great commotion in economic and political circles before the war. In those days of ease details were important—for these slight ups and downs on the world's financial chart were only details.

The chief thing was that the pre-war debt had not really doubled since 1875 (whatever the figures might show, as we have explained above), while the world's wealth had increased ten-fold during the same period. Another most important thing was that the world then was perfectly balanced, the laws of economics keeping the financial scales even among all the nations. Old countries like France were, it is true, subjected to a heavy "dead weight debt," but this burden was lightened by annual contributions from the younger nations which were forced to seek capital abroad. And, although these nations were in turn debtors and paid interest to their elders, they could subsequently reduce their debts by exploiting their wonderful latent resources.

To sum up : The indebtedness of the world was, on the whole, moderate ; it was, perhaps, rather unequally distributed, but the inequality was offset by various economic cross-currents ; order, balance, harmony reigned ; the public debts in no way interfered with production.

Let us now open our eyes in 1921, the morrow of the world struggle.

What is the world's indebtedness now ?

It amounts to about 1,500 milliards. 1,300 milliards have been added to the world's indebtedness in a few years—1,300 milliards consumed for destruction ! Never before has the wealth of the nations been so terribly bled.

These figures bring us to our first conclusion : production is paralysed, labour is "crushed beneath the immense debt piled up between 1914 and 1921.

WHITHER FRANCE? WHITHER EUROPE?

Why? How? We must explain at some length how this debt—this crushing, unequally distributed debt—determines the economic and financial position of Europe and of France to-day.

Production, economists tell us, is due to the co-operation of two factors: labour and capital. We will give a simpler and more exact explanation by saying that it is the labour of man aided by machinery which wrests from nature the products necessary to life. Labour, however, does not profit to the full extent of its effort. It must submit to a double levy—first to private capital, and secondly to the state.

Let us, for the moment, consider only the interest which must be paid the state. Before the war, taking into account the general low rate of interest and differentiating between debts according to their nature, the tribute exacted by the state authorities from the workers of the world scarcely exceeded 5 or 6 milliards, or at the most, 7 or 8 milliards. This burden was the easier to carry since it was distributed by the economic cross-currents which we have just noted among hundreds of millions of men all over the globe.

All this changed in 1921.

The "dead weight" capital has now increased by 1,300 milliards and the rate of interest has risen from 3 per cent to 6 per cent at least, so that the state debt charges require about 80 milliards more in 1921 than they did in 1914.

Consider seriously what these figures mean.

They mean that henceforth labour must each year submit to a tribute of more than 80 milliards. Before they can even consider their own existence, the wage earners of every class are obliged to pay almost 90 milliards to the Moloch of Debt. In sum, production is saddled with a tax which at no time before has it ever had to endure.

A few years ago no one would have dared to imagine such a possibility and any one who had suggested it would have been called a fool. Socialists and individualists were then quarrelling over the distribution of wealth between capital and labour. The state levy was not even referred to, so insignificant did it seem. The socialists, imbued with the doctrines of Marx and Engel, held that the difference between the market price of an article and its net cost was labour stolen from the working man. They consequently questioned the justice of profit-making—that is to say, of profit-making by the contractor—or, in other words, the justice of paying dividends to stockholders. The individualists defended the theory, if not the practice, according to which wealth was then distributed.

How futile these quarrels seem to-day to one who really ponders and who realises that the combined profits of all the business firms of all the world fall far short of the demand made on labour by reason of the "dead weight debt" of 1,300 milliards. Workers sometimes used to complain of the shackles in which capital held them, though the weight would have become less and less had civilisation been allowed to develop peacefully, thanks to reduced rate of

WHITHER FRANCE? WHITHER EUROPE?

interest, to reforms and to the discoveries of science. But now new tyrants have appeared. Outstripping the demands of private capital, they have managed, under the guise of public authority, to rivet chains upon labour and to impose, for their own profit, an additional tribute of 80 milliards.

History has no parallel of so vast a change. The fact that it does not operate equally everywhere makes it the more dangerous.

France's debt has gone up 270 or 280 milliards. England's has increased stupendously. With the exception of Japan, and, to a certain extent, the United States, all the belligerents are groaning under the weight of their loans. The neutral countries, though, are in much the same condition as before the war. French production, for example, will henceforth have to pay an annual tax of 12 to 15 milliards for debt charges, while a certain neighbouring state with about the same population will only have to pay a few hundred millions. Everything is chaotic. The financial map of the world is seamed with strange ridges.

Who can believe that such a state of affairs can long continue? How can two countries exist on the same continent, separated only by a river, a chain of mountains or perhaps by an arbitrary treaty-made frontier, the one lightly taxed and the other overwhelmingly burdened? A 300 milliard franc debt in France and one of 10 to 15 milliard next door! Before the war, whenever there was a question of co-ordinating economic relations between different countries, their respective debts were

discussed at length. A favourite pastime of the French protectionists was to contrast our country's financial position with that of nearby nations; and though their arguments suffered much from exaggeration they held a particle of truth.

What shall we think, then, of conditions to-day? How can an over-burdened country like ours expect to hold its own in world markets?

On the other hand, how are we to prevent what remaining capital we have from being exported? Yes, I know that they will try to forbid the export of capital and trading in securities. This, to my mind, is a detestable policy of financial nationalism, and very difficult to enforce into the bargain! It might, of course, be carried out and would have the advantage of being in line with the policy of industrial superprotection which produced the war. But no one would dare really to do this, for fear of having the financiers up in arms. And so half measures are adopted which do not prevent the flight of money but only hinder its free circulation.

And thus capital injures itself. Being unwilling to make a move toward nationalisation, because in that way it might fatally encourage new social theories, capital has nevertheless renounced one of its most powerful reasons for existence. In the past, capital has contributed greatly to progress by knowing how to make wealth fluid and mobile. When wealth is no longer either fluid or mobile, a great blow has been dealt the capitalistic system.

The new business combines have worked superbly. *They have unbalanced a world which in 1914 was*

balanced. They have caused staggering financial confusion and have thereby increased the economic confusion which was engendered by profiteers seeking to save themselves from the fate they fear.

The result of the conflict has been not only to destroy the products of industry, and so considerably to impoverish the civilised world, but also to put the entire machinery of industry out of joint.

The break-down was to a large degree inevitable. It was inevitable that each nation should turn its energy from its natural task toward making war materials and all sorts of goods which in peace time had been obtained from enemy countries. Both groups of belligerents were obliged to arrange to get along without products formerly furnished by their adversaries.

But ignorance and harsh methods combined to make the inevitable consequences of the war more serious. During hostilities, many countries indulged in excesses of political and economic nationalism and attempted to make themselves independent even of their allies. In an article entitled "The World's Economic Crises" in the *Progrès Civique* of January 29, 1921, M. George Boris noted that "to-day Great Britain, the United States, France, Italy, Germany, Japan, and, to a certain extent, Spain and Switzerland, have complete industrial equipment and do not, as before the war, specialise in certain branches only."

"Each of these countries," he writes, "*makes everything.*"

The elementary duty of the government during the war, and more especially after the signing of peace, was to react against this abnormal tendency, or at least to direct it into certain given channels. The disregard of the laws of economics and particularly the weak-kneed attitude assumed toward the war profiteers have resulted in a number of leading men not only neglecting to act against what might be called omniproduction, but even to their favouring it. More than one government has allowed manufacturers to reinvest part of their war profits, due to the public treasury, in building new factories, so that just when production should have been cut down it was recklessly increased.

"Thus encouraged, nations continue to want to make everything," as M. Boris says. They insist that foreign products be excluded. But they do not intend to be deterred from exporting themselves and from flooding their neighbours' markets. What contradictory aspirations! No great reasoning power is necessary to understand that a programme of industrialisation to the death is inconsistent with a programme of economic expansion. To attempt to have both is like trying to square a circle.

One must choose.

But no one wants to choose. The result is the economic confusion which we shall now try to analyse.

Under the influence of traders who were eager for easy profits and who therefore plunged head first into omniproduction, the stampede toward

WHITHER FRANCE? WHITHER EUROPE?

extreme protection is taking place almost everywhere. Politicians of every nation take their tune from the profiteers who form the bulk of their adherents. They flatter themselves that they can sweep away the law of the division of labour between countries—a law which already is more or less firmly established and which could not but develop with the growth of civilisation. In a word, the reactionary parties dream of making each country a self-sufficing economic unit. Let us pause for a moment to consider this formula.

The first result of such a system would be a vast waste of effort, since a country would no longer specialise in what nature best suited it to produce. A second result would be a tremendous rise in prices and a considerable increase in the cost of living. What matter, say the nationalists? What matter if Frenchmen, for instance, have to pay high prices for pharmaceutical goods which, if they were permitted, they might buy cheaply in Central Europe? Will they not have the glory of taking medicines manufactured on Gallic soil and the joy of enriching manufacturers who are able to exact topmost prices because they are free from outside competition?

Let us summarise the whole idea's two principal characteristics. For one thing, it claims to make every country into an immense mutual aid society in which the consumers are merely honorary members and where the small trader and the labourer pay dues for the active members—the manufacturers of articles which might be obtained

more cheaply elsewhere. And, secondly, it definitely establishes a state of war throughout the world, the great economic war whose consequences we have studied in the preceding chapter.

But splendid as is this phantasy, marvellous as might be its results, many obstacles intervene and prevent it from functioning. Most manufacturers demand protection for their products, but are equally anxious to buy their raw materials as cheaply as possible. Now it often happens that they are cheaper abroad or even that they are not to be had at home. France needs coal, Germany iron, Italy both coal and iron. Neither cotton nor coffee is to be obtained in Europe. We are purposely taking only the most elementary examples in order to make as obvious as possible the truism that peoples cannot live independently of one another and that it is futile to pretend to cut the world up into as many planets as there are nations.

And so one must make up one's mind not to apply to the full the great doctrine of economic nationalism, even as one cannot—one dare not—suggest applying a system of financial nationalism. But since reactionaries will not abandon their magnificent ideas, which go hand in hand with their political theories, they try, by hook or by crook, to fit them somehow into the existing system of international barter. Thus they paralyse international trade, making it difficult to-day—perhaps impossible to-morrow—for people to trade at all. Half measures, compromise between diametrically opposed systems, always lead to ruin.

This ruin is reflected in the confused state of exchange, the result of the financial and economic confusion which we have just described. The dislocation of exchange reacts in turn on economics, thus completing its disorganisation. We will devote a few pages to the analysis of these phenomena, showing how and why exchange is upset and how this condition affects different sections of the public.

There are, technically speaking, two kinds of international clearing operations—in cash and in bills of exchange.

Exchange in cash consists in bartering one money for another—gold louis against pounds sterling, for example.

But the system of bills of exchange, the only one to be studied here, is a more complex operation. Two countries like France and England are in the same position towards one another as two business firms, or rather two groups of business firms. They buy and sell with one another; as a result they create commercial bills of exchange against each other. These bills of exchange are brought to the banks by merchants anxious to replenish their working capital. Let us see how these things commonly are carried through.

If the transaction takes place in a territory using a single monetary system, if A, for example, living in Bordeaux, is owed 10,000 francs by B, living in Paris, B's note to A for this amount will be accepted by the Bordeaux bank at its face value,

less commission. In this case, the intermediary is certain to receive at maturity the sum of 10,000 francs, since Paris and Bordeaux are under the same monetary system. If, on the other hand, A is owed 10,000 francs by C, living in London, matters do not proceed so simply. The bill of exchange, as the commercial note is then called, has a market price. In normal times, before the war, the day's quotation on bills of exchange depended simply on the law of supply and demand. It rose or fell according as the bill of exchange on London was in greater or less demand, but the fluctuation could not be very great. The difference between the draft on Paris and the bill of exchange on London was due to the fact that whereas in the first case the Bordeaux banker was sure of receiving at maturity 10,000-franc notes of the Banque de France, in the second case he received the equivalent of 10,000 francs in English notes (notes of the Bank of England or drafts on France) and those English notes might, *at that date*, be worth more or less than 10,000 francs in France. The risk, however, was not very great, for, both countries being on a gold standard, the Bordeaux banker had the right to exact payment in gold from London. The worst that could befall him was that he might have to stand the expense of transporting the gold to France. The fluctuation in the value of bills of exchange was thus held in check by what the English economist Ricardo called "the gold point." The only expense, in addition to his commission, which the banker in our example could lay upon

the merchant A never exceeded the cost of the possible removal of the specie itself.

But if gold has disappeared, if a fictitious value has been given the currency of one or the other of the countries, that is to say if in either country the notes of the state bank are not convertible into specie—if, in a word, there is nothing but paper money—the fluctuation of exchange is uncontrollable. The Bordeaux banker then has no guarantee that, having received a bill of exchange for 10,000 francs at three months on London, the English notes in which he will be paid will not be worth 25 per cent less than the face value of the note. That is what might happen if, at that moment, the firm “France” was unfavourably situated in comparison with the firm “England” and if, consequently, the notes of the former had depreciated in value.

We have entered into somewhat tedious details in order to make clear that exchange is upset only when there is no gold in circulation. But one must not conclude that paper money alone is responsible for the wrecking of the exchange system. A further example lends support to this economic evidence. This is not the first time that our country has been placed under a régime of fiat money. Such a régime existed during the war of 1870–1871, and after ; yet our exchange remained almost at par.

What then are the causes of the present depreciation of our currency and of the currency of the belligerents in general ? We have already named them : financial confusion and economic confusion.

Let us take financial confusion first, best explained by the term "inflation." What does that term imply?

Mr. McKenna, the British Chancellor of the Exchequer, in a speech given on January 28, 1921, as Chairman of the Board of Directors to the assembled stockholders of the London Joint City and Midland Bank, defined inflation as "an increase in buying power without a corresponding increase in supplies of merchandise." Here is something definite, one thinks. The extension of the buying power can only result from the printing of paper money. The plethora of bank notes is therefore the cause of inflation. Not so fast. Undoubtedly the milliards of notes issued by the Banque de France are one of the causes of the financial confusion. But they are not the sole cause—nor even the principal one.

As Mr. McKenna judiciously remarks in the course of his statement: "The English Government, like all of the belligerent governments during the war, borrowed immense sums which were used in consumption, not for production. Since the loans remain after the material bought with their proceeds has been entirely destroyed, we have reached the true state of inflation—a tremendous growth in buying power in proportion to the total amount of merchandise and marketable goods."

Some will inquire whether this chain of reasoning is exact. Loans, they will say, are met by issuing treasury bonds or certificates, and since these securities are not used like money they cannot be properly

considered as increasing buying power. Such a differentiation is not exact. Treasury bonds and certificates are state obligations, drafts against the general wealth of the state, and consequently they are in every way similar to bank notes when the latter are not used in commercial transactions and so have lost their economic characteristics. The fact that these different forms of financial paper do not enjoy the same privileges of circulation does not change their nature. The holder of state obligations, like the bearer of bank notes, is secured by the assets of the country. Moreover, the treasury bond, which has been so freely issued, particularly in France, is nothing but a bank note payable at maturity—and, let me add, a singularly dangerous bank note. The government certificate can always be exchanged for goods or merchandise; it has potential purchasing power, and, in economics as in politics, possibilities are almost as important as realities.

Let us put aside this hair-splitting. Enormous national debts are the cause of the inflation which ruins the exchange, since there is no monetary system worth speaking of in a country where the normal proportion between buying power and the total amount of merchandise and marketable goods has been destroyed. Under these circumstances, the Bordeaux banker does not know what his bill of exchange for 10,000 francs on London really is worth. The bank which cashes it for him will offer him 8,000 francs to-day, 7,000 or 6,000 to-morrow.

Everything is disorganised. And right away we

perceive that one of the first consequences of having a damaged exchange is that industrial transactions become largely speculative. Take as an example a manufacturer of woollen and cotton goods who buys his raw material abroad, who has to pay not only its market value but a price which the rate of exchange may double or triple or quadruple. He is never sure of getting back this additional cost. If, when he comes to sell his manufactured product, the exchange has fallen, he will make a profit. On the other hand, if the exchange rises, he will lose. Even before the war, when things were more sane, the growth of capitalism, with its standing variations in the price of raw materials, infected industrial life with a certain degree of speculation. But what were such slight variations, due almost entirely to general economic conditions, compared to the great jolts, the tremendous ups and downs resulting from monetary inflation? We used the word "speculation," but it is not strong enough by half. It is safe to say that to-day every industrial transaction which is in any way connected with international exchange is tainted with gambling. Nothing could be more serious.

This is not all. Financial confusion alone is not responsible for the ruin of exchange. Economic confusion, with all that it implies, is also to blame.

One consequence of the war has been the destruction of the continuous and regulated stream of commerce which normally flowed back and forth between the countries of the world. Under such

a system exports balanced imports. Instead of returning to it, as would have been the part of wisdom, the world let itself be taken with a mania for omniproduction, as we have already explained. It toyed with the idea of selling everything and buying nothing. But in the end it has been forced to realise that no one can live by his own efforts alone—that one has to have raw materials, food stuffs, and manufactured articles, no matter how hard one tries to cut them down. So a painful discovery was made: one must import. But how to pay for one's purchases?

Prior to 1914 it was customary to pay foreign sellers of wool, cotton, wheat, meat, and nitrates with drafts on other countries which had been obtained by exporting national products. To take a concrete example, France paid for Argentine wheat, Egyptian cotton and Chilean nitrates by transferring to the merchants of these countries the credits acquired from the sale of *articles de luxe* to Central Europe, Italy, and Russia. The volume of such trade being considerably less to-day on account of the war and the tendency to omniproduction, nations no longer possess the same means of discharging their commercial debts. Yet it is absolutely necessary to pay the bills presented by the countries which control the supply of food stuffs or raw materials. How shall it be done? Products can only be exchanged for products—this is an axiom which we will often repeat. What products can we furnish in return for wool and wheat?

Certain countries surrender their reserve stocks

and, little by little, strip themselves of everything they possess. Great Americans like Dr. Leach, for two years in charge of official missions to Italy, Serbia and Poland, and like Mr. Pierpont Noyes, American Commissioner in the Rhineland, whose remarkable book "While Europe Waits for Peace" appeared in 1921, are one in declaring that all Europe does not at the present time produce half of what it consumes, that in order to live she is stripping herself of her reserves. This is a very serious state of affairs, if it is true—and everything tends to show it is—since it means nothing less than the enslavement of the Old World. But even were the American assertions exaggerated, it can hardly be denied that impoverished Europe can only provision herself in America or Asia by calling upon its reserves of merchandise and furnishing articles which it is equipped to produce.

Let us continue with our own country as an example. Now that France is deprived of one of her principal sources of foreign profit by the loss of a large business connection which used to buy her wines, her silks, her clothes and her Parisian luxuries, she can only pay her foreign creditors out of her reserve stocks or with the products of the artificial industries which have sprung up since the war. But the cost price of these products is higher in France than abroad. That is inevitable; these articles never were manufactured in France before the war, because even with the aid of the customs duty, it was impossible to overcome foreign competition. They have been manufactured since 1914

WHITHER FRANCE? WHITHER EUROPE?

—but at great expense. When these articles have to be used in payment it is found that it is impossible to obtain their cost price, for they can be bought more cheaply elsewhere. There is only one way out—to charge less than their cost price. In order to do this, the exchange must be forced still further down.

Let us suppose that the cost price of a certain article in France is 5 francs. Perhaps it brings only 3 francs on the international market. It is impossible for our manufacturers to export this article unless 5 paper francs become equal to 3 gold francs. But—we are still supposing—the exchange, due to financial confusion, has only fallen 20 per cent. In other words, a 5 franc note of the Banque de France is worth only 4 gold francs. It is still impossible to export. It will become possible only when France's necessity of paying her debts and the offers she must make to sell her merchandise shall, in accordance with the law of supply and demand, have brought about a further 20 per cent fall in the exchange.

The reader may inquire whether such a fall can be brought about at will. It is quite understandable that an unstable exchange injures trade and gives an opportunity for gambling. It is less clear why an article which in normal times could not profitably be made in France (because, for the reason given above, it could not stand foreign competition) can, the moment the exchange is overturned, be manufactured and sold at home and even exported. The financial mechanism of this process has been

dissected. But what is hard to understand is its economics. Since it is an abnormal operation it must be injuring some one. How?

Here is the answer. The economics of the process does, at first sight, appear very mysterious. If one analyses it, one finds that it entails a tax on wage earners and the recipients of fixed incomes. The manufacturer is enabled to sell his 5 franc product for 3 gold francs only because he pays his creditors in paper francs, thus reducing the sums due them by the difference between the paper franc and the gold franc. Also, he pays wages in the same currency, and still an added advantage is that there is a long interval before labour costs rise as a result of the fall of exchange. *So it comes about that the labourer and the small tradesman who is owed money shoulder the loss.*

In conclusion, let us make a general survey. ^{*} The disordered exchange, resulting from economic and financial confusion, upsets the normal habits of industry and commerce; it makes business hazardous; it forces the industrial and commercial world to carry on business around a sort of roulette table; and, above all, it imposes unexpected and heavy taxes upon the poor and upon the middle class.

And let no one believe that only the belligerent countries are affected. The evil is spreading to those countries which might have expected to escape, since they took no part in the great struggle. Holland, Switzerland and Spain have retained their financial prosperity; they have no staggering debts to carry; their money circulation is unimpaired;

their economic situation has been only slightly affected; their exchange is normal. In spite of this, they are being dragged into the fatal circle.

Day by day they find it more and more difficult to sell abroad any products of which they do not have a monopoly. This is quite comprehensible. Countries with impaired exchange, such as France, Italy and Germany, do not buy from countries with normal exchange when they can help it. Countries whose currency is at par have to submit to a ruinous influx of merchandise from countries with a low exchange. Their only means of defence is to enact—as some have already done and as others are preparing to do—a tariff which penalises imports enough to make up for the premiums paid on exports by the wage earners and those with fixed incomes. This remedy is really of very little use, for although it may cut down imports for the country applying it, it also makes it hard for the manufacturers of that country to sell abroad, since it becomes impossible for the prospective buyers to pay their debts. Products can only be exchanged for products.

Disorder reigns everywhere. How should it be otherwise? So protected and delicate a civilisation as that which sprang up in the nineteenth century—a civilisation tending logically towards the economic consolidation of Europe and the reconciliation of the varying interests of its peoples without recourse to arms—such a civilisation was ill fitted to endure war, especially the long war which weakness, im-

providence, greed, envy and hate combined to let loose and then prolonged.

Civilisation could only have recovered from the shock of war by returning to normal at the first opportunity.

It is impossible for it to survive the confusion which the folly of man seems bent on perpetuating.

Without subscribing to any of the absolute formulæ of the day, one has to admit that if capitalism, the justification for which was found in its gigantic development of production, shows itself unable to reconstruct after having wantonly destroyed, it will have lost its historic and social *raison d'être*.

But that is the future.

Before considering it, let us scrutinise a little more closely the vitality of Europe and, in particular, of France.

CHAPTER III

ECONOMIC EUROPE

The lying phrase, "War enriches." The European factory; the power of economic geography. The working class misled. Rural democracy in France; the peasants in Central Europe and Russia. The middle class. The qualities of the French people.

IN the midst of the turmoil caused by the war, with her ruptured economic and financial systems, does Europe possess the resources—above ground and under ground and in the qualities of her races—to extricate herself by degrees and gradually to rise above the tempest?

It is a fearful question, one to which no thoughtful answer can be given without taking into careful account the present state of the whole continent, without estimating the damage caused by the struggle, without making a survey of the economy of Europe and attempting to gauge its reserves of energy.

In a remarkable book entitled *The Balance Sheet of the War*¹ the author (I am not the only one who regrets that he remains anonymous) sets out to make an inventory of French assets in 1921. His picture

¹ *Le Bilan de la Guerre*, by Trustée Plon et Nourrit, Paris.

is applicable to the other European countries almost without exception.

"The brutal fact," he writes, "in the face of which denials and illusions lose their force, is that in the war France lost a quarter or a third of her acquired wealth. There is only one word which really fits the case. Taking into consideration all compensating circumstances, the war, in spite of having ended with an indisputable military victory, will, from an economic point of view, have been a disaster."

The writer justifies his conclusions by pointing to the diminished population which, according to the census, has decreased by the shocking figure of 2,300,000 between 1911 and 1921. He rightly considers that this is "the most serious and most irreparable evil left by the war."

He remarks with reason that lack of men destroys part of the national capital, for the instruments of production, manned by fewer hands than in 1914, produce less. And "producing less, their intrinsic value is decreased."

Now for the evidence.

Evidence is found in the impoverishment of French soil, inadequately cultivated and inadequately renewed by manures and chemicals during hostilities, and in addition deprived of its magnificent forests.

Evidence is found in the decrease in capital represented by our roads and railroads.

• Evidence is found in the deterioration of real estate—absolutely destroyed by the enemy in the

WHITHER FRANCE? WHITHER EUROPE?
devastated regions, wear and tear in the other
départements.

Evidence is found in the shrinkage of what our anonymous author aptly calls the wonderful foreign pocket book of France. The war tempests have swept away the better part of it. Another portion of it, made up of Russian bonds, Turkish bonds and Heaven only knows what else, has lost a half or two-thirds or sometimes even three-quarters of its value.

But what good does it do to keep citing such instances indefinitely, each worthy of a chapter to itself?

Once realise that goods are the only real assets—land, houses, factories, commercial stocks—once see through the sophism and the juggling of figures which ignorance and impudence have used to prove that France benefited financially from the war; once discard appearances and grasp the fact that neglected land and unrepaired houses constitute diminished assets, even if their present-day value in paper money has doubled or quadrupled; and then you will grant the general conclusions of the author of *The Balance Sheet of the War*, even if you discount individual statements here and there.

And outside France?

Everywhere throughout Europe the war has worked its havoc, under different forms and to different degrees.

The havoc has been frightful in the Balkans, in Poland and in the west of Russia, where steel and fire have mowed down men and blasted the soil. As the result of five years of blockade, the Central

States have exhausted their fields, while their under nourished inhabitants have wasted away; to secure foreign credits they have had to deliver over almost all the balances they had in the countries of the New World. Italy has known the misery of enemy devastation; she has found how hard a long war which tears the peasant from his field is for a country whose principal resources are agricultural. The belligerent nation which *appears* to have suffered the least is England, saved from invasion by her encircling ribbon of blue and strong in her mastery of the sea and in her wonderful industrial development. She has nevertheless suffered severely in loss of population (her toll on the battle field was heavy), in the disorganisation resulting from having turned her industries to the production of war supplies, and finally, in the curtailment of her merchant marine, much of which lies in the bottom of the sea. Even the neutral nations have had to sit by and see the processes of exchange stopped and diverted, have been unable to import or export as they wished and have had to sustain heavy losses. Many years will go by before the continent regains its former wealth.

But there is no use in driving home any further the point which we set out to make—the falsity of that despicable lie, which has long gone the rounds, though no one dares utter it to-day—the lie that “war enriches.”

The question that really matters is whether Europe has any vitality left, any power of renovation or resurrection.

WHITHER FRANCE? WHITHER EUROPE?

Europe, before the war, to take the phrase of an English economist, Sir Leo Chiozza Money, was "a gigantic factory" provisioning the world, bartering its products for raw materials or food stuffs from the newer countries of America and Australia or the old ones of Asia. The great factory had been built by degrees. The first foundations had been laid when railroads were constructed, linking up the producing centres of the different countries. As machinery was perfected, scientific discoveries decreased the need for human workers and replaced them with what another economist called "iron slaves." Manufacturers grouped themselves around the mineral beds, especially whenever there was coal—the most essential raw material for all factories. If the factories did not spring up right in the coal districts, they were connected with them in a hundred ways, by rail and by water, so as to obtain the needed fuel at a minimum expense. A map of industrial Europe in 1914 would show the factories concentrated around the coal beds or as near them as possible.

The possession of precious coal gave two countries incontestable superiority over all others—England, in whose rugged frame it abounded and whose low freight rates gave facilities for exporting it; and Germany, situated in the middle of the continent and possessed of excellent water routes.

The Comité des Forges, the semi-political, semi-industrial organisation which comprises almost all the French metallurgical firms, admitted this fact over and over again. Just before the war in

1914, in the report submitted by the Administrative Council to the General Assembly, its representatives showed that we had had to import over 21 million tons of coal and coke in 1913. They added :

“ We can only deplore once again the existence of such conditions which impose a considerable surcharge upon French iron interests and markedly handicap them in foreign competition, especially from the point of view of export. M. Defline at the Congress of Toronto exposed the poverty of our sub-soil when he calculated that France’s coal reserves amounted at a maximum to 18 milliard tons, lignite included. This places us far behind Germany and England, whose wealth in coal has been estimated at 423 milliard and 190 milliard tons respectively, without counting the United States, whose tonnage is said to reach the immense figure of 3,829 milliard tons.”

If coal continued to govern the world, world production would in time centre about the United States . . . in time, for the day is still distant when the manufacturers across the Atlantic will think more than incidentally of supplying the needs of any but the New World. In the meantime, European industries will have to rely upon England and Germany—particularly Germany with her 423 milliard tons of coal.

This state of affairs may not last as long as is imagined by men of narrow intelligence who see only the present, never the future. Tomorrow coal may be dethroned by science, which can overthrow all human provisions, and whose disconcerting

changes, daily more frequent, we shall consider in succeeding chapters. For the time being, we shall confine ourselves to emphasising two truths : first, that in pre-war Europe coal was, as it is in the Europe of to-day, the magnet drawing to itself the industries of the continent ; secondly, that the tyranny of coal will be ephemeral because of the use of hydraulic power, the exploitation of oil, the unexpected utilisation of mazout, and other reasons.

For the present we must make the best of things as they are.

There was only one way to reconstruct the European factory, half destroyed by the war, and that was to repair the network of industry link by link, to weave it here closely, there loosely, taking into account the location of various mineral deposits. In order to build it up, means of communication should promptly have been developed, freight rates should have been lowered and the duties on coal suppressed, so as to assure the distribution of the latter all over the continent. Then—or rather simultaneously—the world should have set to work to harness up natural motive power and in every way possible lessen the supremacy of coal. Attempts to discover new deposits should also have been made. But these dictates of common sense did not appeal to the plutocrats who wished to shatter the organism of Europe. They obtained whole-hearted support from the politicians, to whom economic considerations meant nothing, who had no idea of the existence of the coal age, or who were completely absorbed in playing games of diplomatic chess around

conference tables. To carve and pare Central Europe, to Balkanise it, to create new states left and right, to authorise, nay to urge, them to raise customs barriers cutting industrial centres off from the coal beds which used to supply them, such was their work. "Everywhere on the continent," we have written elsewhere,¹ "zig-zag customs barriers have been set up, just like air-tight partitions between workshops in the same factory."

What terrifying madness on the part of so-called statesmen! And with what Machiavellian astuteness were they manipulated!

Business men imagined that the European factory would crumble away and that then they could pick up the pieces at bargain prices. At the same time they dreamed of being freed from all foreign competition. To make sure of this latter condition they demanded, and obtained, lovely tariff walls.

At least they are satisfied! Do they not possess a monopoly, the result of the new customs barriers and even more the result of the destruction of the big factories, whose competition might have been dangerous in spite of tariffs? Henceforth the national consumer can be leisurely exploited.

They can also rummage among the ruins they had caused in Central Europe and buy up cheaply factories whose value had decreased when their natural outlets had been cut off.

And how truculent nationalism applauds! At last they can live in a closed sanctuazy! There is only one regret, voiced daily: why were not the

¹ *Mes Prisons*. Editions de la Sirène, Paris.

different states composing the German Reich divided up, why were not customs barriers erected there all over the place?

These unfortunate creatures do not understand the force of economic geography in the modern world. Enamoured of yellow parchments, absorbed in the Treaties of Westphalia, Utrecht, and Vienna, they imagine they can still play the rôle of Mazarin or Metternich, still carve up the living flesh of Europe as it was carved in 1648 and 1815. They do not grasp the transformation which has taken place in the world in the last fifty years. They do not know that economics rule the Old World, that states have been built up on economics and that economic forces alone can destroy what they have made. To try to struggle against such forces means struggling against nature herself—and she is always quick to take revenge.

Here is what is actually happening: the segments of truncated industries are trying to come together. The interrelation of business and the fall of freight charges are combining to nullify the effect of the artificial customs obstacles. The German magnates are able better than anyone else to bring this to pass, for they have coal and are situated in the very centre of the pre-war industrial area. And so we see them erecting above the stupid customs barriers immense trusts, which we have actually helped them to create by forcing down to zero the cost of the factories they coveted. "Sic vos non vobis," wrote the Latin poet.

Meanwhile in the West, and particularly in

France, economic Malthusianism reigns supreme. Prices are raised, production is reduced. But this doctrine turns against its authors. High living costs lead to under-consumption.

The house of cards is tumbling down.

At the very time that merchants have on hand more goods than they know what to do with, the factories, on account of the consumers' strike, have to slow down production to escape complete ruin. This condemns the labouring man to partial or complete unemployment, which, in turn, cuts down consumption, further reduces production and aggravates the general distress.

The word "crisis" does not apply here, for this term is used only of a temporary condition. Rather is it a state of general chaos, the result of a complete lack of perception and a neglect of the most elementary principles of economics.

This chaos particularly involves the working class, already hard hit by the high cost of living and by unemployment. In a report drawn up for, and submitted to, the International Financial Conference at Brussels in 1920, M. Charles Gide, an economist of high standing, remarked that "one of the primary conditions to the economic recovery of Europe was the will of the working class to aid in this task." He added that it was absolutely indispensable to "find means of obtaining hearty co-operation from this class."

What has been done to obtain it?

In every belligerent country abundant promises

WHITHER FRANCE? WHITHER EUROPE?

were made to the labouring men during the conflict. Everywhere he was assured that victory would usher in an era of happiness. This was merely a way of making him accept the war of supplies and trusts and business magnates . . . !

What has he been given ?

Increases in salary, extracted from his employer bit by bit. Whatever may be said, they are far from meeting the depreciation in the value of money, and even they are now being pared down to a minimum. What else ? Partial reforms, varying in different countries—very limited reforms in France—limited reforms also in England, which is ruled, as we are, by an oligarchy—broader reforms in Central Europe, where the rulers, terrified by revolutionary movements, have hastily enacted new but incomplete legislation, which the trusts are already seeking ways to overthrow.

Indeed, throughout Europe the caste whose pre-war activities we have described has increased its power by the war. It dominated the governments. Having taken the profiteers to its bosom, it submits itself to their influence. It is stamped with their habits of greed, improvidence, and harshness.

Greed drives the men of this caste in headlong pursuit of immediate profits ; profits must be made at any cost, even if it means the sacking of the Old World ; they are willing to cut down the tree to get its fruit. Improvidence and harshness unite in causing the leaders of the hour to ignore the labour problem. They imagine that by using force—brutality if need be—they can subdue the wage

earners, whose claims they hold in contempt. They will not admit that some day—very soon perhaps—the wage system will give place to co-operation ; they do not understand that in the life of peoples, as in the life of individuals, *one must know how to beget success* ; they do not even envisage the possibility of reforms within the scope of the wage system. In the bottom of their hearts is the conviction that, as in old Roman days, it is enough to provide the populace with “ panem et circenses.” And at that, they measure out the bread more and more parsimoniously each day. The natural consequence of their policy is that in countries with abnormal exchange exports are based on the invisible tax on wage earners—as we have explained ; while countries with normal exchange, in their attempts to combat the influx of merchandise, try to bring down the initial price of their goods and make a start by reducing labour costs. That is not all. The habits of the profiteers—which we have enumerated above—lead them to lay upon the poorer classes, by means of indirect levies, the heaviest part of the tax burden. They thus take away with one hand what they have given with the other. Indirect taxation cuts down salaries and wages.

And still people express surprise that revolutionary activities increase, that the striking workmen make common cause with the unemployed, that signs of a European cataclysm are multiplying.

How should it be otherwise ?

⌋ The working class is at loose ends. Its most fiery elements lean toward extremes, while the mass

WHITHER FRANCE? WHITHER EUROPE?
of the workers labour listlessly, doing just enough work to secure their wages.

Both extremes can be attributed to material and moral causes. They are chiefly due to comparisons which naturally arise in the mind of every worker. It is puerile to expect their ready and fruitful collaboration when the promises made them have not been kept and, in their stead, they are confronted with spectacles of scandalous and unpunished profiteering.

Industries at loggerheads—conglomerations of energy which is not made use of, or which refuses to be made use of to the full—this is manufacturing Europe to-day.

There is another Europe which works in the fields.

What is its condition? It varies in different countries. Let us begin with France.

The French peasant still, as of yore, works like a laborious ant. He does not spare himself in the effort to make the soil fertile. From morning till night, without respite, he works his land. And in those conservative circles where the moral state of the working class is loudly lamented there is great rejoicing that the farmer, owing to the high price at which he sells his products, has made large enough profits to increase his holdings, to divide up the big estates . . . and to accumulate bank notes.

No one denies that our agricultural population constitutes one of our country's important forces, a force which enables us to play our great rôle in the world.

But are there no shadows on this idyllic scene? Is it not dangerous to show special solicitude for any one class of the nation and thus encourage between rural and city populations a rancour which already is showing itself in different parts of France? Who does not know that our system of taxation treats the farmers with great forbearance at a time when, more than ever before, *everyone should bear an equal tax burden*? The large profits reaped by the rural class ought particularly to bar it from any special consideration. To show it such consideration is to follow a policy fraught with peril.

Is everything about this post-war rural transformation healthy?

Of course one is delighted when the farmer becomes the proprietor of the land he used to cultivate—provided this is done at the expense of big landed proprietors.

But this is not always the case. In many *départements*, the big farmer, who was the only one to profit from the war, is buying up the small holdings in the neighbourhood and forcing out his less fortunate neighbours. In 1921 Deputy Inizan called attention in Parliament to the fact that hundreds of Breton farmers were going to be out of work. The *Matin* in an account of the ensuing debate accurately stated that a "reintegration" of rural property was taking place in Brittany. This transformation, with its accompanying economic and social dangers, is taking place not in one province only but throughout all France.

What actually happens to the owners of little

WHITHER FRANCE? WHITHER EUROPE?

farms who are bought out and expelled by new proprietors? Some remain in the fields and hire themselves out, thus forming an ever increasing rural proletariat. But by far the greater number crowd into the cities, with the result that agricultural labourers, already greatly diminished in number by the war, are more scarce than ever. So it happens that impetus has been given the agricultural movement, begun in 1914, which tended to eliminate cultivation whenever it required actual manual labour and instead to sow fields of grass and clover. In the South the vine is still cultivated, but elsewhere the farmers are turning to cattle raising.

What will happen if the price of wine and meat falls?

The benefit would be immense—if the fall were universal—if it extended to all industrial and agricultural produce—if it were the result of extinguishing or reducing the state debts—of lowering tariff barriers—or of a simultaneous increase in production.

But what a blow it would be to the farmers if the fall affected only a few food products!

Many of them already realise that they were able to reap large profits during the war because they had bought their tools cheaply before its outbreak. They know that it will be another matter when they come to buy new agricultural machinery and tools, when, in other words, they have to replace their old threadbare clothes with new ones.

To grasp the situation one must view it in its larger aspects.

It is impossible that the present intensive farming should not lead to increased agricultural production and that this will not inevitably cause a fall in exchange. It will occur the more quickly and be felt the more keenly, since rural activity will concentrate more and more on one or two products. Yet, in the meantime, manufactured articles will still be sold at monopoly rates on account of industrial Malthusianism and excessive protection. Consequently, one foresees a period when the farmer will sell his cattle and wine at prices far lower than during the last four years and yet will have to spend as much as usual on his equipment and pay as much, or almost as much, to keep up his vineyard.

These are the evil consequences of unreasonable protection, established under the pretext of serving the farmer but which has been carried to the point where it will turn against him. In reality it is beneficial only to a minority, the minority whose power we feel at every turn.

Rural democracy will one day see through this fraud.

But in the meantime, while we wait for a change to come in the general mentality of the rural class, agricultural crises are looming on the horizon. We trust they will not prove too bloody.

And how about the rural population in Central Europe and in Russia? (We omit England, whose life is on the sea, in the factories, and in the mines.)¹

¹ It is interesting to note in passing that in Great Britain the enormous taxes on revenue and capital have acted, and continue

WHITHER FRANCE? WHITHER EUROPE?

An agricultural revolution has taken place not only in Soviet Russia but also in Hungary, Austria, and part of Germany. This the English have called the "green rising," contrasting it with the red movement of the radical urban workers.

This revolution—or evolution—passes unperceived by the masses; its benefits and perils seem not to be taken into account by those who do perceive it.

First let us have the facts about it.

The twenty years preceding the war marked a decline in agricultural activity in all Central Europe, excepting Rumania, and the steady disappearance of small estates. In a series of authoritative articles published in an English review in June and July 1921, two British newspaper correspondents (Miss Thompson and Mr. Fodor, the latter of whom is a Hungarian citizen) showed that during those twenty years the rural population of Central Europe "flocked to the cities to work in factories, and, as a consequence, their farms were often made into hunting grounds for the aristocracy. Some time before the war, Baron Seefried, son-in-law of the Emperor Francis Joseph, converted into parks thirty farms of Lower Austria which previously had to act, as land-slicing machines. The big estates are disappearing, the castles and country houses are being sold. The English aristocracy is about to lose once and for all its hold on so vast a portion of the soil of the British Isles—a hold which constituted almost its last powerful weapon. Finance is once again about to determine English history. But it does not appear that the political transformation caused by taxation will have immediate economic reactions.

supplied Vienna with butter and eggs. At about the same time Prince Hohenlohe, a German prince, bought hundreds of peasant holdings in northern Hungary and made them into partridge preserves, whither he came to hunt with the Kaiser perhaps once a year. These are but two examples taken at random among hundreds."

The war and the Entente blockade caused the first change. Forced to find provisions within their own frontiers, the governments of Central Europe ordered that every piece of land be cultivated. The revolutions which followed ended in the total dismemberment of the great estates.

"It is one of the ironies of revolutions that those who make them are often the last to profit by them," Miss Thompson and Mr. Fodor remark. In Hungary the first revolution ended in Bolshevism. The red régime was followed by a white terror so extreme that the city worker to-day, besides suffering from unemployment, is in addition deprived of rights which he had long possessed, notably the right to strike. But one million peasants still possess the property of the aristocracy which they were able to seize in the first revolution. Just as in other countries, revolution, whose effect on the working class cannot yet be estimated, has had one first and definite result; it has given the land to the peasants, who are thus invested with an economic importance calling for corresponding political power.

This the peasants are beginning to realise.

In Bavaria, where the green rising has been widespread, the peasant party has taken a leaf out of

the soviet book by organising a series of "chambers of agriculture," whose members are elected by the tillers of the soil. These chambers of agriculture, which are constantly increasing, are by law almost sovereign in local matters. They can oblige the Government and the Landtag to give them a hearing on all rural questions. In Hungary, the farmers obtained even more; organisations analogous to the chambers of agriculture in Bavaria, but more completely patterned after the soviet idea, have been formed and provided with *absolute* authority to effect and carry out the distribution of the great estates, and to regulate agricultural insurance.

The movement extends still more widely, in Austria, where a highly developed rural co-operation is closely allied to farmer soviets, whose aim is to suppress bureaucratic control, or even intervention, in land matters.

There are great benefits and great dangers in such an evolution. It does seem, quoting the same writers again, that "the rural class is the only group of workers in Central Europe whose condition has improved without a corresponding fall in production." It seems also that the peasant leans towards liberalism. Just as the French farmer has remained attached to the revolution of 1789 which emancipated him, and has fought doggedly and overthrown any régime which he has suspected of favouring the nobles and the priests, so the Austrian, Bavarian, or Hungarian peasant seems more hostile to reactionary offensives than to revolutionary

intrigues. It was the Small Farm Owners' party which, in March 1921, made certain the failure of the attempt to restore Charles of Hapsburg on the throne—an event desired and planned for by royalists in many different countries and financed, it is said, by a large French industrial firm. The peasants insisted upon the expulsion of the disappointed sovereign and demanded the resignation of the ministers implicated in the adventure.

But, though the political tendencies of the green movement be in the direction of semi-bourgeois, semi-agricultural combinations, progressive on the whole and more or less analogous to those which characterised France in the middle of the nineteenth century, it cannot be denied that its economic tendencies are anarchistic and retrograde.

In the first place, the green movement is governed by a spirit of exaggerated "corporatism." This spirit finds expression in isolated soviets, which cannot yet be visualised as a coherent whole but which encourage class antagonisms and develop a feeling of hostility between the rural and urban population. This hostility is just beginning to dawn in France but already flourishes in Central Europe. In August 1920, the leaders of the peasant movement, with the Bavarian Dr. Heim at their head, tried to form the Green International. They hoped to lay the foundations of a great conservative party which would counterbalance the Red International. This manœuvre failed completely, the rural classes showing unmistakably that they did not intend to defend capitalism. The leaders then

attempted to save their faces by inciting their followers against the cities. Their ruling idea was "to do away once and for all with the predominance of urban over rural interests. They expressed their antipathy to industrialism *under any form*." (See the article just quoted.)

This antipathy is beginning to be translated into action. In Austria and Hungary the peasants are trying to fight free of the big centres. Agricultural co-operatives are founding here an agricultural tool factory, there a factory for artificial manure. The rural army is marching, with a great waste of effort, toward forms of industrial organisation which had been rendered obsolete by the advance of civilisation.

Should this movement, issuing from the war and spread by policies of superprotection, continue to grow, it is no exaggeration to say that it would prove an important cause contributing to the decadence of Europe. Mr. Hoover, the former American food dictator, pointed out that the Old World contains one hundred million more inhabitants than it can feed and that it can only perform this task by making big profits from intensive manufacturing. The placing under cultivation of all the estates of Austria and Hungary would probably increase agricultural production to a certain extent, but this would be a mere drop of water in an ocean of need. Europe can exist only so long as it can supply the New World with manufactured articles which it is equipped to produce cheaply and sell at a profit. Should it turn away from the state of industrialism which

it had obtained in 1914 and become predominantly rural, it would inevitably lose part of its population ; its cultivated classes, those interested in scientific and economic progress, would disappear ; it would decay.

When one considers the present state of Russia—so far as one is able—one cannot help feeling that in fifty years all Europe, from the Danube to the Urals, will resemble what that country is to-day.

We shall not now enter into a discussion of details, which can be found elsewhere, regarding the soviet régime and its results. For the time being we will confine ourselves to considering two statements : *as we write, the great industries of Russia no longer exist.* Will they ever live again ? Maxim Gorki seems to doubt it. “The immense peasant tide will finally engulf everything,” he said to M. Morizet.¹ “What then will become of industry ? The peasant is not interested in it ; all he wants is to find certain manufactured articles in a bazar or a market.” In Russia, as elsewhere, the peasants are interested in nothing but *the land which the Soviet guarantees them.* According to our writer, the Bolsheviks have in this way secured the whole-hearted co-operation of the peasants against all external dangers.

In other words, a vigorous and growing peasant community inevitably means the decay of urban society. Factories crumble ; industry is transferred to the fields.

• M. Zagorsky, Professor of Political Economy in

¹ *Humanité*, August 14, 1921.

WHITHER FRANCE? WHITHER EUROPE?

the University of Petrograd, in his book *The Soviet Republic: An Economic Balance Sheet*, has furnished us with information which seems particularly reliable, for he declares "it has been taken entirely from Bolshevist sources," and it tallies on the whole with Gorki's account. "In Russia," he writes, "a return is noticeable to economic conditions existing anterior to the capitalist régime. Small handicrafts and factories are growing rapidly in the country districts. Since these districts are no longer supplied from the towns, the peasants themselves make everything needed for domestic use. If the cities do not now receive country products—products which used to play so important a part in Russian home and foreign trade—this is because to-day the country districts are themselves using the raw materials which until quite recently they were in the habit of selling to manufacturers. Flax is woven by the peasants in their own homes; leather is treated and cured by the peasant families; and it is the same with hemp, jute, etc.

Country districts which had been carried along by the evolution of Russian national economy in the course of the last thirty or forty years, which had become economic units and thus identified themselves with the capitalistic movement of Russia and even of the outer world, are now taking on more and more the character of the old economic order, with restricted and merely self-sufficing production. The green rising in Central Europe is, one sees, but an attenuated form of what is going on in Russia. The same causes (weakening of industry,

contraction or artificial closing of markets), acting in the same manner though in different degrees, produce the same results. A united peasantry intends to tear industry to pieces; it thus becomes a formidable instrument for economic regression unless it can be tactfully induced to abandon the spirit of hatred and destruction, the spirit, in other words, of war—military yesterday, economic to-day.

Between the growing agriculturists and the declining industrialists is the lower and upper middle class. In England, France and Italy the members of this class have always been the mainspring of the political and economic régime, and even in Germany they have been one of the keystones of the social edifice.

What about them ?

A former English Cabinet Minister, Mr. Masterman, wrote an interesting article on this subject in the *New World* of February 1921. He described the straits to which the English middle class had been reduced. After declaring that "had the war lasted ten instead of five years we probably should have witnessed the bankruptcy of old Europe," he asks if the middle class will ever recover from the cataclysm. "If they should perish," he writes, "it would mean the extinction of almost all the qualities of the race, of the essentially English character which this class embodies." He fears lest "the fabulous rise" in prices make this inevitable. "If the exaggerated rise in prices in the fourteenth century, at the time of the Black Plague, marked the end of mediæval civilisation, one may

say that the present rise in prices will signalise the disappearance of the middle class."

He further develops the idea by calling attention to the depreciation of securities which occurred as a result of the war and by comparing the wages of the middle class with those of the working class: "Cities to-day pay their street cleaners more than their professors. The most ignorant trade unionist would not accept the salary of a clergyman or an insurance agent. A linotype compositor on a great paper can despise the journalist who writes on the same sheet, for he is certainly better paid."

According to Mr. Masterman, the middle class is beginning to lay part of the responsibility for this condition upon the shoulders of the rich profiteers. "The latter go too far," he writes. "Not only has the profiteer piled up ill-gotten gains during the war, but he even affronts the poor *bourgeois* by his insolent luxury. He drives around in automobiles, he monopolises the best restaurants, he sends his wife to the largest dress-makers and shops, while the common citizen is reduced to travelling third class, to buying the cheapest shoes and materials and to saving on his food."

"Not knowing where to turn," he concludes, "nor before whom to lay their grievances, the middle class is beginning to lean towards labour. Moreover, the power which before the war was in the hands of the middle class is passing to labour, who with its high salaries and its unions now dictates its terms to employers and governments."

The last phrase is rather exaggerated, both as

regards labour's salaries and its power. It anticipates events, which is a risky business. The predominance of the urban element in Great Britain will inevitably place authority in the hands of labour, if the latter once find allies among the middle class. But the pact is not yet signed ; and so long as an agreement is not reached between the workers and at least a fraction of the middle class, government will remain with a profiteer minority, which, however, will be continually endangered by strikes, unemployment and internal disorder. They are difficulties which new political formations will not eliminate *ipso facto*. They spring from the present economic situation and from the state of inequilibrium created by the fall of the middle class.

There are analogous evils all over Europe. .

In Germany, the great industrialist and former Minister Herr Walther Rathenau, declared, *before the war ended*, that the middle class would be the hardest hit by the coming crisis. He said : " This class has always been the depository of a considerable part of the scientific, technical and literary intelligence of the nation. It furnished good functionaries to both public and private institutions ; its proletarianisation would mean the intellectual impoverishment of Germany."

In France, the lower middle class is essential to the welfare of the country, perhaps even more so than in Germany and fully as much so as in England. Close to the heart of the people, steeped in honesty and the spirit of economy, its members

WHITHER FRANCE? WHITHER EUROPE?
have constituted the great reserve of national power.

To-day it is hard hit, like the English middle class. Life has been particularly difficult for the possessors of small fixed incomes who have received virtually no compensation to meet the increased cost of living.

But in the lower and middle French *bourgeoisie* there is so strong a sense of tradition and duty that, although its members are exasperated by the strutting profiteer, although they are impoverished by the depreciation of guaranteed securities, although they are discouraged by the war and the Peace Treaty, and disappointed by other matters even harder to bear than material losses, they are bending every effort towards carrying on. Let their political and moral expectations be satisfied and they will mould the destiny of France to-day as they have moulded it since 1789.

And this is one of the reasons which lead us to conclude, after due reflection, that France possesses reserves of energy unequalled by any other country on the continent.

Doubtless the will to work is sadly dissipated everywhere in Europe, in France as elsewhere. But with us it is a lesser evil because industry, the branch of human activity most affected, plays less of a rôle in France than it does in England or Germany, because agriculture is flourishing and the middle class sound, and, above all, because we are rich in the great qualities of our race.

Those who know the aptitude for intelligent work,

the ingeniousness, the elasticity, the faculty for adaptation and the prodigious economy of the French, those who know the trials through which they have victoriously passed, feel that they alone are capable of sustaining continental Europe and of extricating both Europe and themselves from the turmoil—if that can still be done. Every passing day adds to the difficulty of this task, which soon may become impossible.

But to fulfil the great rôle which Nature has assigned them in their geographic position and the fortunate composition of their race, the French people must win that most difficult of victories—a victory over themselves. *They must overcome the faults which in the past have so often prejudiced their destiny.*

They must be vigorous, financially and economically. Their lamentable financial plight and the state of economic petrification in which they are kept will paralyse them if they allow them to continue ; and continue they will unless they learn to sacrifice private to public interest.

Above all, they must cast out the money changers from the temple and rid themselves of the profiteers and quack doctors who try, with gilded pills, to pander to their lowest tastes—the love of petty gains and a leaning toward restricted effort. Even more deliberately they must try to free themselves from those who defy the spirit of brutal ephemeral force. ~~Nothing~~ Nothing lasting can be founded on violence and hate. The only sane economic and political policy for France to-day is one of conciliation and generosity.

WHITHER FRANCE? WHITHER EUROPE?

These are thoughts to be developed later on. Before undertaking to do so, we will sketch the financial position of our country. We will also complete our survey of its political economy. We will draw up the balance sheet of the illusions on which she has been fed.

CHAPTER IV

THE ECONOMIC AND FINANCIAL SITUATION OF FRANCE

DISMISSING a mass of figures and details, we shall concentrate on certain outstanding points and show their relation to our country's general economy.

In the first months of 1921 the Reporter General on the budget announced in the Senate :

" A debt of over 300 milliards of francs, without counting pensions and damages.

" A budget with a deficit of 2 milliard 800 millions in 1921 (the total of the extraordinary budget).¹

" Cash requirements for the current year which will make necessary loans totalling 36 milliards.

" The prospect of having to impose permanent taxation to yield 6 to 8 milliards yearly to ensure the balancing of the ordinary budget.

" The question of future pensions and damages unsolved.

" Such is the situation."

The Reporter General himself admitted that, if anything, he minimised the gravity of the situation.

Have things improved since then ? They have become worse.

¹ Increases in expenditure voted during the debates raised the extraordinary budget to 3 milliards, 186 million francs.

The 1922 budget, as it was presented to the Chamber, was perhaps a better financial document. It suggested certain economies, but what 'unworthy and unfortunate ones they were. A balanced budget—they dared to call it balanced!—was obtained by tricks worthy only of a juggler and calling for an absurd increase of taxation which they must have known beforehand would never be accepted.

There was no financial policy in the true sense of the word.

How was the country led into such an alarming state?

And, to begin with, what was the condition of our finances in 1914?

Before the war the opposition could do its best, by distorting facts and figures, to discredit the financial administration of the nation; no one with the very least degree of knowledge could deny that the men in power during the preceding twenty-five years had accomplished great things.

They had managed to establish budgetary unity; they had done away, one by one, with the special accounts which usually lag behind every budget. To note all expenditures without counting future receipts is the rule of every clear-headed merchant and manufacturer. The reform of the budget was not only in the interest of method and order but constituted a protection for the public funds since, by telling the whole truth, it made deception impossible.

The Ministers of Finance who held office between

1890 and 1895 firmly established this procedure. Supported by the parliamentary commissions, they administered the national finances so well that as a result the public debt did not increase during the twenty years before the war. Deficits incurred by one department were wiped out by the surpluses of others. The loans which occasionally had to be raised, and which increased the national debt, were always balanced by sinking-fund payments to the debt.

But the amortisation was not sufficient. This weakness was due in part to the fact that the budget was fed by outworn methods of direct taxation which, since they did not adapt themselves to the movement of wealth, failed to supply the Treasury with sums proportionate to the increase in national prosperity and to the new obligations being laid upon the state.

The aim of advanced French political leaders in the ten years before the war was to create democratic taxes on income and profits such as had come into being in almost every country in the course of the nineteenth century and at the beginning of the twentieth. They would have succeeded in 1910-11 had it not been for desperate resistance from the conservatives—a resistance which did great harm to France.

In vain were the conservatives assured that an income tax was not intended for the sole purpose of reducing the burden on the poor and increasing that on the rich, though that would have been perfectly just. In vain were they told that it was

WHITHER FRANCE? WHITHER EUROPE?

especially designed to render the national system of taxation more flexible and to give the fiscal machine the fly-wheel it so badly needed. In vain were they shown the dangers of holding to a rigid system of assessment which had been abandoned by the other great peoples of the world and which in the hour of need would be useless.

They would not listen. They were highly indignant when the popular will, clearly expressed in the 1914 elections, forced them to swallow a poor little fragment of reform.

The war surprised France in the midst of fiscal house-cleaning.

The governments formed in France after the beginning of hostilities, under the ægis of the *union sacrée*, had not the courage to pursue the wise financial policy which we have just described above. This was because such a policy bore the stamp of the Left, and partisans of the Right, regardless of the close connection between budgetary requirements and national interests, never ceased fighting against it.

Nevertheless, pre-war methods were not entirely discontinued ; no new system was introduced. The governments instead played for time. And this is the worst method in the world.

There were no more budgets, nothing but provisional monthly estimates (*douzièmes*) which the Chamber had hastily to sanction. " Indeed," wrote M. Jèze, " Parliament was obliged to grant the Government *blocs* of confidence, running into

milliards, without really discussing their meaning or importance."

No new taxes were imposed.

The fragmentary income-tax reform which the preceding legislature had been induced to accept was temporarily suspended. This event symbolised the new régime. Only after several years of war were taxes levied upon individual categories of incomes and profits, a step which ought to have been taken on the very first day of the conflict. Yet we all the time had the example of England before our eyes. Acting on the teachings of its predecessors, the British Government increased almost all the taxes the moment war was declared, beginning with the income-tax and the super-tax, and pursued that policy so daringly that before long they were actually exacting over half the incomes of multi-millionaires. In this way Britain really financed the war; the arrears of all the successive loans were covered either by increases in taxes or by new taxation. But while across the Channel the financial policy which for a hundred and fifty years had always given England a free hand in the world was being continued in force, France was sinking into a fiscal trance which paralysed the activity of the whole nation.

There was no control—or rather there was only the illusion of control—over the army expenditures or over the expenditures of any other branch of the government. The out-put "behind the lines" brought monstrous prices. The country was flooded with military allowances. Demagogy was the order of the day, among those who distributed as well as

among those who received. Things reached such a pitch that the total tax receipts were less than the allowance costs. In other words, the state was spending more on its citizens than it received from them, surely a unique situation in financial history. The Government was obsessed with one idea—to *make the war popular behind the lines.*

In its search for the necessary resources, the Government had to resort to loans. The first step, and a good one, it is fair to say, was the issue of Bonds of National Defence. But they were given an interest rate of 5 per cent, whereas 4 per cent would have been enough. The treasury was thus unnecessarily burdened, the stock market was upset and money rates rose sky high.

The result was as follows :

While Germany, whose pre-war credit was not as good as ours, financed the war by issuing loans of the 4½ and 5 per cent type almost at par, our bonds were for a very much higher rate, and in addition we guaranteed the holders against conversion of any kind and against present or future taxation. No amount of arguing can alter this statement of fact. A financial administration is judged by it—and is condemned beyond appeal.

The first impetus in the wrong direction was given when, in order to make the war agreeable, the first bonds bearing so high a rate of interest were put in circulation. These vagaries might have been condoned in 1914 and 1915 when everyone believed that the struggle would be short. At that time, it might have been contended that the solution of

fiscal questions and the floating of big loans should be left to the end of the war, which was supposed to be imminent. It was tacitly understood that, by issuing Treasury Bonds, the Government was allowed every latitude to determine, once peace was signed, the conditions under which it would make wide appeals for credit. And that liberty of action thus reserved to the state would compensate amply for the temporary sacrifices of paying too high interest on treasury securities.

But beginning with 1916, and especially after 1917, these pitiful reasons no longer held. A policy of temporising—which was really nothing more than a policy of weakness—became inexcusable. But the Government clung to it, and soon it developed into a regular system.

The reactionaries, whose influence grew until they finally dominated each other, ruled each of the successive docile governments and persuaded them deliberately to turn their backs upon democratic policies. There was no longer any question of fiscal reform. We never even momentarily considered following the example of our great ally, England, and covering our loans by creating new taxes. We made a few timid proposals, but they were only to veil the real policy of the day—that policy of continual borrowing which delighted the bankers, the profiteers and the publicists who were in their pay. ~

In the scramble to satisfy all these gentlemen, the most thoroughly tried and tested doctrines were cast to the winds. The custom of floating loans at par

was discontinued. Appeals for credit were made attractive by granting enormous repayment premiums to subscribers, a procedure very harmful to the state, since it unnecessarily increased its debt for the benefit of the middlemen. Subscribers were given even more tangible profits in 1920, when, under the pretext of exchanges of stock and the suppression of repayment premiums, the banks were allowed secret commissions and the profiteers were granted a reduction of the taxes on war profits.

Meantime, the practice of "special accounts" ran wild. They deserve definition.

"Special accounts" are mysterious little budgets which accompany the regular budget and are exempt from parliamentary control.

In the course of administering affairs there often are little transactions which it would be difficult to submit to budgetary audit. Take, for example, the bureau of surety bonds. State officials who do not wish to take advantage of the reform which was made by the institution of a mutual bonding privilege, still pay the sums required from them by the state as a guarantee. These sums cannot be entered as treasury receipts, since they are not receipts but deposits. When they are repaid, the state will restitute, not expend. A special treasury account easily keeps track of these transactions, none of which could figure in the budget.

Special accounts were very rare before the war, though even then they tended to increase. One of the questions which engrossed the attention of the present author when he was last in office was

the suppression, or at least the limitation, of these accounts, because he considered that even in peace time they might well lead to abuses. No one could have imagined the uses to which they were to be put during the war. And besides, no amount of precautions taken beforehand would have been of use. The war governments wanted to make of them extraordinary discretionary funds. The term "special accounts" served merely to disguise them. The public—including nine out of ten members of parliament—do not yet know the unbelievable abuses which have been covered up by these so-called "special accounts" or what a blessing they were to war profiteers. Some day soon—for nothing can be hidden for ever—these crimes, such as that of the "Special Coal Account," will be brought to light.

It will be a chapter—and what a chapter!—to add to that history of waste and prevarication which still remains to be written about the war.

We will confine ourselves here to showing that from 1914, and more especially from 1917, until 1921, the governments *have carried out the policy dictated by the banks and the profiteers.*

The same policy was followed when it came to taxation. It was a policy which completely disregarded every fiscal and administrative reality.

After having during the war created the few taxes, of the nature of bribes, which we have described, the day after the armistice the Government declared that it was unnecessary and wrong

to burden the French citizen with taxes. "Germany must pay for all," was the cry. After the signature of peace, when it became evident to every one that this phrase had been coined by the lowest kind of demagogues and that after all every one would have to settle down to work, the Government still delayed. Then suddenly, in 1920, a shower of taxes, most of them indirect ones, came upon Parliament.

First of all came the tax on business turnover.

Probably it was not realised that this was a very ancient tax which was being revived. It was first instituted by Cæsar after the Gallic Wars, under the name of *Centesima rerum venalium*, but quickly disappeared before the indignant outcry of the populace. It was put into effect again centuries later by French royalty, when it was called *la maltôte* by the common people, who rebelled many times against its enforcement. It is a tax which stagnates a nation's life, and it is profoundly unjust because it is not based on profits but upon the mere movement of business. It is the most onerous and the most evil of all indirect taxes levied upon consumption.

The tax on business turnover was nevertheless the keystone of the taxation adopted by a Chamber which, following in the footsteps of other reactionary assemblies, is, like them, destined to pass rapidly out of our national life. We must, however, beware of making too hasty comparisons. The political men of other years—those of the National Assembly of 1871 like those of the

Restoration—realised that resources are not created by the mere fact of enacting a law. They knew perfectly well that there are such things as realities to be reckoned with, that there are taxpayers whose anger must not be too violently aroused, that there are administrative departments which must not be given tasks they cannot accomplish. These statesmen did all they could to see that such taxes as there were were really collected. They studied with the greatest care all the bills introduced for their approval. They knew their business.

Now no matter how kindly one may be inclined to judge men and affairs, one cannot say as much for the leaders of recent years. To them practical knowledge and experience were particularly necessary, for war had disorganised the whole financial administration, once so firmly established. Only the most competent ministers could have carried through the task of reshaping the tax provision. None such was found. The new tax laws, in consequence, are merely great sheaves of texts, hastily sent over to the Chamber by distracted officials. And in the Chamber the majority of the members, freshly elected by universal suffrage and entirely uninstructed in technical matters, have one idea only : indirect taxes by the wholesale.

The members of the Chamber have entirely failed to realise how delicate is the question of a tax on consumption or on business turnover. There is no doubt, of course, that direct taxation would not by itself have sufficed to cover the crushing burden of debt left by the war. But great care

WHITHER FRANCE? WHITHER EUROPE?

should have been exercised not to raise tariffs or create taxes which, because they rested on consumption or on business activity, could easily be evaded. There are certain taxes which a real politician should *feel* cannot be levied. The taxpayer should never be driven actually to resist paying. Excessive taxes are things to be feared. At certain periods of our history taxes have been raised to such an extent that in spite of indirect taxes imposed, as Colbert said, "on every sort of pretext," their productivity has decreased instead of increased. The taxes devoured themselves.

Is there no reason to fear lest such things happen again? Does not the collection of taxes at the present time show a monthly deficit of 100 to 150 millions and an annual deficit of 1,200 to 1,500 millions—a deficit, by the way, which the press bothers to mention only in some obscure little corner? Every one knows how disappointing the postal taxes have been, as also the transportation taxes and, above all, the sales tax, which the reactionaries clamoured for so unceasingly and which—oh crowning folly!—the Government has actually proposed to double.

Faced with all these delusions, one is tempted to say to the ministers in power and to Parliament: "Learn at least to carry out the policy which you have chosen or which has been forced upon you; learn to select your indirect taxes and to estimate their revenue; learn to organise, or rather to preserve intact, the finance department which in your hands is going to wrack and ruin." It is a

temptation to go further and say : " And at any rate, have a straightforward policy, with regard to direct taxes."

We do not forget, gentlemen of the government, that you have retained the tax on certain categories of income, as well as on incomes as a whole. You have even increased such taxes, as also inheritance taxes. I shall probably surprise you, as well as many of my readers, when I say that you have gone too far in this direction.

Let me explain. The rate of direct taxation should never be raised without having taken every precaution to prevent evasion and without strengthening the tax-collecting department and giving it full powers. This you have not done. And so the regular income tax, as well as the tax on special sorts of income, have become taxes resting on nothing but the *good faith* of the tax-payers. The substance of your policy is really to retain, for the sake of form and because you do not dare suppress them, some relics of democratic taxes, but such weak ones and so badly controlled that knowing people like yourselves can escape them altogether. (This you do not fail to do, as I will show when the time comes.) Your budget is in reality based on these forms of taxation which bear most heavily upon the poor.

Proof of the fact can be found in a mass of documents, the most striking of which are the official protests of the agents of the Direct Tax and Enrolment Bureau, who declare themselves unable to collect the milliards which are needed but which

WHITHER FRANCE? WHITHER EUROPE?
—in their own words—“nobody seems to want to
have collected.”

These are the facts. Who, then, can express surprise at the opening statements of this chapter? They simply register the results of the financial policy pursued since 1914.

A debt of 310 milliards of francs! This figure is approximately exact, including 70 milliards due to foreign creditors at the average rate of exchange prevailing in 1921. Setting aside the latter sum for the moment there remains a debt of about 240 milliards, requiring an annual revenue of over 12 milliards. If the nations who fought the war by our side expect us to repay in full the moneys they advanced, it will mean 3 or 4 milliards more. In other words, 15 to 16 milliards are needed annually simply to meet interest charges. We appropriate 4 or 5 milliards for an opulent military budget, and a little more (about 7 milliards) for civil expenses. In all, about 25 milliards of expenditure, without taking into account the service charges of the allied debt.

Against this, we can expect to have 17 milliards, 400 million francs of normal income. The deficit, therefore, is 7 milliards, which the budget submitted to the Chamber pretended to cover by assuming a 2 milliard tax surplus in 1922, by anticipating 3,500 millions of exceptional receipts and finally by doubling the wonderful sales tax. What childish methods and calculations!

The revenue from taxation in 1921 was such that

no one in his senses could expect a tax surplus in 1922. The extraordinary receipts are almost entirely imaginary, for, with the exception of 500 millions resulting from the liquidation of stocks, they consist of taxes assessed upon war-profits—and the debtors in question have been allowed by law to pay these taxes in government bonds the value of which is calculated at their price of issue. This scandalous privilege for profiteers has already been alluded to. It is a privilege because, due to the bad market for government bonds, the profiteers can buy up the securities of the poorer classes at a rate lower than their issuance valuation. And so these anticipated millions fade away. The idea of doubling the sales tax has had to be completely abandoned. The protest against it was universal. An escape from this apparent *impasse* was effected by reconstituting an extraordinary budget, after having most solemnly denounced it, that is to say, by covering part of the current expenses by loans.

The final result: *The annual deficit is 10 milliards, including the service of the foreign debt, or 7 milliards if this charge is not included.*

But we are not yet at the end of our account.

Besides the ordinary budget stands the Budget of Recoverable Expenditures (the budget of war damages and pensions) which the Versailles Treaty has placed at Germany's charge. While England included in her expenditures to be recovered by revenue obtained from taxation the sums owed her by the vanquished enemy, we, following our usual system, borrowed to provide for these charges.

WHITHER FRANCE? WHITHER EUROPE?

In this way we have paid out the round sum of 61 milliards. According to official documents, we shall still have to spend 80 milliards before the liberated regions will be really reconstructed. The pensions to our wounded, to widows, and to children will cost us 4 milliards a year at least during a period of 10 years.

Let us add this all up once more: 61 milliards borrowed; 80 milliards for reconstruction; 40 milliards for pensions; a total of 181 milliards. According to the agreement reached in 1921, Germany owes us about 85 milliards of gold francs payable over a considerable number of years. This, as we shall see, represents only a part of the 181 milliards. It is impossible to say how many milliards we shall be done out of, taking into account the varying state of exchange and the fact that Germany will probably not pay us fully. What we do know is that we must rapidly reconstruct the devastated regions and thus spend in less than ten years an enormous sum which will be only partly repaid and only after fantastic delays.

Let us put aside these questions for the present. They fall naturally under the title "Illusions" which will head the next chapter.

Let us stick to the figures we have already quoted, drawn from parliamentary reports: 27 to 33 milliards of public debt in 1914;¹ 310 milliards in 1922.

¹ 27 milliards if one counts only the "dead weight debt"; 33 milliards if one includes expenditures which increased the nation's industrial wealth, in particular the purchase of the Chemin de Fer de l'Ouest.

Ten years ago budgets balanced within a few tens of millions. To-day, we find deficits of 10 or 7 milliards, depending upon whether one includes the foreign debt service or not. The figures are 8 or 5 milliards if one accepts official figures.

These are crushing comparisons and condemn governments and parliamentary majorities without discussion. When it is a question of comparing the internal or foreign policy of a country at different periods of its history, ambiguous arguments may arise. But when financial policy is being studied it is otherwise; there are the figures. We have brutally set them down.

"This is the past," some may say, "show us now the future." Very well. One must first of all consider the solutions offered by those in charge of the government to-day and those who were in power yesterday, all of whom, having disdained the advice and council of men who might have warned them, *are now wholly responsible*.

Among the government leaders of to-day and yesterday, among the parliamentarians and the economists, there are some who think that we can solve our financial difficulties quite easily by the artifice of monetary depreciation. In plain English, this means by a resorting to simulated bankruptcy. We will later on examine this policy carefully, but for the time being we will only say that it is fallacious and dangerous.

Prudent conservatives perceive the danger and impracticability of such methods. They understand, moreover, that the state machine would

WHITHER FRANCE? WHITHER EUROPE?

break down entirely and very quickly. Their spokesmen, in mellifluous language which scarcely however hides their anguish, clamour for economy, the end of waste and the creation of new taxes.

These are remedies which it would have been well to apply a few years ago when the men who now extol them were in power. Had they then been energetically applied, France might now be in a position such as England. To-day such remedies can only raise a smile by their very insignificance.

It is not by saving and scraping a little here and a little there, by haggling over small increases of salaries, by paring down on office expenses, by imposing new indirect taxes on a country already paralysed, that France will be endowed with the strong and free finances which she needs to carry out her historic mission.

Quite different methods are needed if this country, whose capital is being absorbed by continual loans and whose citizens' savings are being devoured, is to avoid entering into a gradual decline while its great rivals flourish and develop.

A new change of the tiller is not less indispensable in the economic field than in the matter of foreign exchange, where there is being followed an obstinate and narrow policy which is quite in line with the financial policy of the sales tax and unlimited loans.

Protection does not reign now in France. It has given way to a kind of blind prohibition which expressed itself in the law of July 29, 1919. Upsetting every previously admitted rule, this act was

so astoundingly constructed that since its application we have been unable to conclude a single commercial agreement with any other power. A paper very well informed on export questions, *Les Échos*, summed up the situation as follows :

“ While our officials were exhausting themselves in sterile efforts, Germany succeeded in renewing her commercial relations with almost every country—even with her ex-enemies and with the new states. She concluded commercial treaties which actually grant her a privileged position.

“ England, thanks to her economic system . . . has secured favourable treatment almost everywhere without having to conclude commercial treaties. This system enabled her to establish herself firmly even among her former enemies the moment hostilities ceased.

“ France alone of all the nations drapes herself in splendid isolation and thus shuts herself off from one market after the other. Before the war we had the benefit of favourable rates in every country in the world. After our victory, and in spite of the special position it should have secured us, our commercial situation is compromised in most countries and our products receive less favourable treatment than they did in 1914.”

Things have changed for the worse since these lines were written in November 1920. On August 24, 1921, this same paper summed up the result of two years of parleys : “ No agreement is practicable : none has been ratified.” And it adds : “ It is now two years since all our commercial agreements

WHITHER FRANCE? WHITHER EUROPE?

expired and since our economic relations with foreign countries entered into a precarious condition. Two years have passed while our negotiators have discussed and discussed our commercial agreements.

"What headway has been made during this time? What results have been obtained? *None*. The fact is only too eloquently shown by the following table."

There follows a table showing the conditions of exchange which have existed between France and the principal European powers with whom she has managed to trade.

As a result, the author of the above article felt justified in concluding: "There is only one conclusion—that our negotiators have been entirely impotent. They have been unable, in two years, to register the ratification of any real commercial treaty."

What else could we expect?

We raised our tariffs enormously by the laws of July 29, 1919. But not satisfied with this, by successive decrees we have raised—and are daily raising—our frontier duties.

M. Jèze, whom we have previously quoted, writes in *L'Ère Nouvelle*: "At the present time we are still under the dictatorship organised for the war. Three years after the armistice, the government, in the secrecy of its offices and commissions, still undertakes on its own responsibility important and serious measures. The hireling of a few great manufacturers, it promulgates protectionist ukases which constitute an abuse of political power."

What has happened? France naturally has received return thrusts. No one wants to treat with us since they can obtain no security from us. Did we not increase the duty tenfold on certain Czecho-Slovak merchandise without warning, just after we had signed a tariff agreement with that country? This immediately resulted in the denunciation of the contract and will undoubtedly lead to reprisals against French products.

Such reprisals are noticeable everywhere, even in England, where the "Key Industries Bill" threatens to cut France off from her principal market. We complain?

The answer comes from Mr. Baldwin, Minister of Commerce, speaking in the House of Commons on August 11, 1921: "It is not for those who put a bulldog out of their shop to complain if we have a cat in our backyard." A rather unpolished retort perhaps, but, one must admit, just enough.

Our oligarchs are quite shocked at the idea that one can't sell everything and buy nothing. And instead of changing their tactics, they persist, and force the Government to persist. They only manage to systematise the high cost of living, to render foreign trade impossible and to provoke even more solemn warnings than that contained in the ironical remark above. In Belgium, a great politician, M. Janson, a partisan of union between our two countries, pronounced the following words to M. Herriot, deputy and ex-minister (*Information*, August 18, 1922): "One thing must be told the French people because it is the truth; every time

WHITHER FRANCE? WHITHER EUROPE?

you raise the customs barriers, you lower the barriers of defence which we have erected together on the Eastern frontier."

Who, then, dares charge us with exaggeration if, because they seem most appropriate, we repeat words which we have used before, setting them in a phrase which we commend to our readers' meditation :

The shrivelling up of France—that is the inevitable end of the present nationalistic and plutocratic policy.

CHAPTER V

ILLUSIONS AND REALITIES

Fixing the German debt; the French taxpayer inevitably loses. Ways of paying the indemnity; in gold; in merchandise; in labour. The occupation of German territory demanded by the nationalists. France's debts to England and the United States; the other inter-allied debts. To see realities, discard illusions.

"THE illusion that things are what we wish them to be is the worst disorder of the mind," Bossuet has said. M. Poincaré recently recalled these words, but evidently he had not pondered them himself or recommended them to the consideration of those whom he had placed in power in open disregard of the clearly expressed will of the country and against all parliamentary indications.

If the men thus selected did not circulate, they at least tolerated and encouraged, the magic phrase "Germany will pay for everything." It was in circulation from the very beginning of the war. It was the excuse and pretext for waste. What mattered the scandalous prices paid for supplies or the chaos in the public finances? "Germany will pay for everything."

Then came the armistice, and then the Peace Conference. There was now no longer any question of claiming more than the reparation of damages done. Failure number one had grudgingly to

be conceded by the Government. After much hesitation came a long-drawn-out explanation that this curtailment of our demands—due, it was said, to Mr. Wilson's insistence—was a good move, since it did away with the idea of a penal indemnity and was therefore in striking contrast to the harsh stipulations of the Treaty of Frankfort.

A sensible remark for once!

A few months ago I was impelled by curiosity to reread the admirable study written in December 1874, by M. Wolowski, the economist, a deputy in the National Assembly, entitled *Economic Results of the Payment of the War Indemnity in Germany and in France*. The author quoted the opinions of authoritative Germans regarding this indemnity imposed upon France by Bismarck. Adolphe Wagner, Professor of Political Economy in the University of Berlin, who enjoyed a well-deserved scientific reputation, wrote in one of his numerous works on the finances of the German Empire: "The magnitude of the amount not only aroused the indignation of France but caused a certain amount of surprise in neutral, even in friendly, countries, and Germany herself was surprised by it. The sum of 5 milliards seemed disproportionate to the direct and indirect burdens placed upon German finance and, even if one includẽ the cost of re-establishing Germany's military power, exceeded the total of all losses endured." Prof. Wagner declares that on the whole this sum was not exorbitant when regarded in its proper light, as a "war penalty" (*Kriegsstrafe*). "By its very size," he wrote, "the indemnity was

meant to exercise pressure upon the finances and general economy of France. . . . *It applied the penalty of a partial confiscation of her national resources.*"

It is well to recall this confession, which gives an idea of what our enemies might have done to us had they been victorious, and to compare it with the principles which were to have governed the Treaty of Peace of 1919.

Why did the nations depart from President Wilson's just and sensible suggestion that Germany be charged only with the cost of repairing the destruction she had wrought? Why did they give in to England's suggestion to add pensions for war victims to Germany's load? In his celebrated book, *The Economic Consequences of the Peace*, Mr. Keynes wrote that by taking this course the Allies not only violated the terms of the armistice, but *the French representatives betrayed the interests of France*. This means that there are realities as well as principles; it means that though it was but elementary justice to oblige Germany to rebuild the devastated regions, the extra burden of pensions made it doubtful whether Germany could ever pay. It made it certain, in fact, that she would never discharge the total amount. It became certain that the debt owed the Allies would be reduced by the process of inflation. It also became certain that France would thus be defrauded of part of the sums needed to reconstruct her ruins—and at that by those who had fought by her side.

Our national spokesmen were less interested in

obtaining tangible advantages than obsessed by the declarations they had made. In a work by Col. House and fourteen of his collaborators, all of whom took part in the negotiations, we read that when the President of the United States urged Mr. Lloyd George and M. Clemenceau to tell their Parliaments the truth, to explain that the indemnity had to be cut down, the two ministers were in agreement that were they to overlook this point, it would immediately lead to their overthrow.

So as not to shatter popular illusions too quickly, they even refused to name the exact figure of the indemnity to be imposed upon Germany. The task was entrusted to a so-called Reparations Commission, in which France had one vote out of five. This new areopagus decided in April 1921, to fix the debt at 132 milliards of gold marks. According to previous inter-Allied agreements, France had been allotted 52 per cent of this amount, and consequently our country *appeared* to have the right to 68 milliards of gold marks, or about 85 milliards of gold francs.

It is hard to understand why these accords had been made, fixing a percentage which was so greatly to our disadvantage. All that is certain is that the first of these accords, signed secretly by Clemenceau and Lloyd George, on December 12, 1919, as well as later agreements, are valueless so long as they have not been approved by Parliament. Article VIII of the Constitutional Law of July 16, 1875, on the distribution of public power, provides that "treaties which relate to state finances shall not be definitive until they have been voted by both Chambers."

Great care was taken not to submit them to the Chamber. In fact, the agreement of December 1919 was held secret until September 1921, when it was exposed in the press. M. Clemenceau allowed himself to become involved in financial transactions which he was constitutionally forbidden to make final without the consent of the country's representatives.

But let us, for the time being, leave all this. Let us get back to the German debt.

Here we are with a bill on Germany for 85 milliards of gold francs which, for a number of reasons that we will not now consider, is going to be reduced by 5 or 6 milliards more.

Our original, and far higher, claim was cut down greatly by the Reparations Commission, on which we were so inadequately represented.

Let us not arrive at too hasty decisions against the Commission. Many think its decision was quite just.

But if this be true, we grossly over-estimated the extent of our damages. Once again the special interests, the interests of the great firms in the northern and eastern parts of France, have prevailed over the public interest. It is imperative that we grasp this fact : we will pay out to those who suffered at the hands of the enemy the amounts which we officially accepted as owing them, even despite the fact that since then the Reparations Commission has considerably reduced them.

There therefore are but two alternatives. Either the tribunal's figures are correct, in which case why

WHITHER FRANCE? WHITHER EUROPE?

should we pay our citizens more? Or they are incorrect, in which case why should we be cheated out of our due?

But officially we never are confronted with such unpleasant alternatives. Officially we take care not to explain that the taxpayer of this country will in any event be crushed by excessive taxation, either that Germany may be freed or to pay the great industrialists and landed proprietors who have already reaped hundreds of millions.

And so we find ourselves before the same policy—a plutocratic policy founded upon a lie.

Those who practise or support this policy have found in the collection of the indemnity an opportunity of adding to the long list of their errors or sophisms. They must be exposed if this country is to be saved from ruin, and Europe with it.

80 or 85 milliards to recover!

How can Germany pay?

Let us not bother with financial rites. It is not important to know the kind of paper our bill will be written on. The only thing to remember is that the Reich, in compliance with the various agreements, has to pay over a sum fixed at 2 milliards of gold marks a year, in addition to a varying sum equal to 26 per cent of her total exports, until all has been paid.

How will it proceed to do this?

Nothing is easier, nationalist writers used to proclaim a few months ago. Germany is rich. We have only to command and she will give in.

Convoys loaded with gold will at once set out toward France. They showed some embarrassment, it is true, when one drew their attention to the fact that there was no more gold in Germany (or even in Europe, except in a few State Banks), that this precious metal had emigrated to the United States and, moreover, that the gold production of the world had never allowed the coining of more than 30 to 50 milliards in gold. But they recovered quickly, and talked about the reservoirs of wealth across the Rhine. It would be enough, they said in substance, to demand that part of the profits made by German capitalists be paid over to the Allies, to force the Reich to impose heavy taxes, which would then be handed over to us.

Events since then have shown—present events show—future events will show—that things are a little more complicated than our nationalists would have us believe.

To explain these complications one must find out what methods a country like Germany can employ to free herself of so immense an external debt.

It is a simple matter, theoretically, at any rate, to “Ottomanise” Germany, that is to say, to appoint a judicial council, to force a reduction in expenditures and an increase in revenue. By this, or any more appropriate method, it is easy to exact the transfer of part of Germany’s tax receipts to her creditors. But what then? What will these creditors be paid in? Milliards of useless paper marks? At the outset of this discussion it would be well to destroy one illusion: *like other conven-*

tional tender, the paper mark represents only a potential acquisition of merchandise or labour, limited to the territory where it circulates. With these paper marks the Allies could only obtain German merchandise or German labour.

No matter from what angle one may view this question, no matter how often one may turn it over in one's mind, there is but one possible conclusion. Germany can only give what she has. With the exception of a few bars of gold which could be extracted from her, and which would be but a tiny drop in the bucket, and with the exception of a few billions worth of foreign securities¹ which she might, with the utmost difficulty, be forced to hand over, the Reich can only pay her debt in merchandise or labour.

A distinction should here be made accordingly as one means to obtain the price of merchandise in gold or is willing to accept it in kind. If one wants hard cash, there is only one method to get it: Germany must export and must pass on to her creditors the bills of exchange received from the delivery of goods in New York or Amsterdam.

This seems a simple matter, but difficulties abound, the chief of them being that Germany will have to develop her exports to an appalling

¹ The foreign transferable securities held by Germans have fled beyond the German frontier, and are hiding in Swiss, Dutch, and other strong-boxes. The bewildered authors of the Treaty of Versailles neglected to take the elementary precaution of attaching all the securities belonging to the enemy at the time of the armistice.

degree. Can she do so? Will not foreign nations prevent her by raising up tariff walls? If this occurs, our ex-enemy will be unable to discharge her debt. She will probably be able to provide for the first payment by selling her reserve stocks, by speculating with her paper marks, by leaving no stone unturned. But she cannot do that indefinitely and very soon she will have to declare herself bankrupt. Let us look at it from another point of view. Suppose Germany overcomes the obstacles which other countries put in her way. Her first gold payments will then, by exhausting her reserves, send exchange still lower and will thus enable her to export. She will evade foreign embargoes by denationalising her merchandise by bonding it in small countries like Denmark and Switzerland. In this event Germany will very rapidly recover an enormous economic power. Ridiculous as it may seem, the Allies will then have helped to build up a Germany stronger economically than ever she was before. And remember that the war has just *shown that a nation is strong in a military way when it is strong industrially.*

An English paper, the *Daily Express*, on June 10, 1921, summed up the situation as follows: "Germany will each year have to export to the value of 1,600 million pounds sterling (40 milliards of gold francs) in order to pay her annual indemnity. But the total exports of Germany and England combined even before the war never reached so fabulous a sum. . . . Germany must either succeed or fail. If she fails, she will not pay the indemnity. But

what will happen if she succeeds? By reason of her cheap labour and cheap methods of production she inevitably *will conquer the commerce of the whole world*. . . . The politicians who were entrusted with the task of fixing the indemnity committed a monumental error on account of their financial ignorance. They should have exacted payment of the equivalent of the sum fixed, not in money but in kind. Fixing the debt in cash gave direct encouragement to German competition in manufactured articles the world over."

At last we are nearing the truth!

The absorption of German merchandise and the utilisation of German labour to reconstruct the devastated regions—such is the proceeding which will enable us to recover part of what is due to us by our ex-enemy, and which, at the same time, does the least harm to the economy of Europe and of the world.

For a long time no one wanted to employ this system. The politicians, whom the *Daily Express* so severely condemns, had turned their backs upon it, not because they knew no better but because they were in the hands of the profiteers. It had promptly occurred to the latter that in the north of France lay a marvellous territory for industrial expansion, a new kind of colony, from which all competition must be barred.

The force of circumstances, in particular the alarming effects of the first German gold payments, to-day makes politicians and industrialists gradually renounce their opposition to reparations in kind.

By the Wiesbaden agreement, the French Government is tending toward the policy outlined in the *Daily Express*, and our only regret is that they do not progress more boldly. The agreement does not provide for the use of German labour. I know all that can be said on this subject; I appreciate the sentimental factors involved. But I nevertheless repeat that if German labour were introduced with the proper precautions it would be the least dangerous of German exports. It would be foolish to refuse it, since we must be very careful in converting German goods into money, and since we also must take care not to turn aside the current of German goods from other countries and direct it exclusively towards ourselves.

All in all, there are objections even to reparations in kind. We are forced to conclude that reparations in kind will never furnish us with the entire amount assigned us by the Reparations Commission. At an optimistic estimate we may hope for 30 or 40 milliards worth of German goods.

And the balance? What of the convoys of gold?

And what is going to happen to our budgets? To the deficit which we had figured at from 7 to 10 milliards we must add 4 milliards for pension charges, and an unfixed sum for repairing the damages not covered by German payments.

We may, of course, hope that Germany will be able to make gold payments, with the help of her growing exports, without destroying the economy of the world. But we would be willingly blinding

WHITHER FRANCE? WHITHER EUROPE?

ourselves did we not realise that payments of this kind must be limited, for many years at any rate.

We must, however, be restored to our former condition immediately.

What shall we do?

The nationalists are not at a loss for an answer: "What are all these discussions about? There is only one course for us to follow. Let us pay ourselves, let us cross the Rhine, let us seize part of the wealth of Germany."

Fortunately these absurd and dangerous suggestions run up against a small obstacle presented by the economic entities of Europe as it is to-day. This subject is worth enlarging upon.

Let us march into Germany, say the protagonists of the "*Part du Combattant*." Let us occupy the country and annihilate it politically. Let us seize the German coal mines and factories. Let us distribute German land and German houses to the war pensioners. In short, in order to repair material wrongs, let us confiscate the big industries and appropriate German securities, and to compensate individuals, let us assign to them German real estate.

Excellent indeed!

(Do not think this exclamation signifies my approval of what I consider to be a return to the primitive law of conquest which authorised the victor to reduce the vanquished to slavery and dispossess him of his wealth. I am merely accepting the hypothesis of my adversaries.)

Here we are, then, masters of the German

Empire. We have confiscated whatever we wanted.

There is just one question to be asked : where will the customs frontier be drawn ?

Will there be a customs union between France and Germany ? This would be the negation of the economic doctrine of nationalism and would throw the profiteers into armed revolt. It would be opposed even by men like myself, who hate economic subdivisions and believe in moderate tariffs and restricted free trade, but who do not care to see detached from the rest of Europe and united in the same Zollverein two countries, enemies until yesterday, one of them with a population of 40,000,000, the other. . . .

"Stop, stop!" cry the nationalists. "You are attacking a phantom. There is no question of ruining our industries by depriving them of all protection against Germany. The customs line will not be moved."

"In that case you will accomplish nothing," I reply. "You will establish colonies of war veterans in Germany. Rome used to establish them in the countries she had conquered, after they had adopted her monetary system, her laws, and her pro-consuls. But we have never heard that it occurred even to the most demented of the Cæsars to establish them outside the Empire. Caligula and Vitellius themselves would have seen the madness of disseminating Roman citizens all through the barbarian world.

"Furthermore, when you have put away in your

strong boxes the bonds of the German cities, how do you intend to derive any profits from them?"

I will again emphasise a point which I have already made. I repeat and repeat that in a country no longer possessing either a monetary circulation or a stable exchange, profits from industry *and arrears on national securities are recoverable only in the form of merchandise*. Do you wish to flood the French markets with this merchandise? I do not suppose so, for if I remember rightly you want to keep each country in an air-tight compartment. On the other hand, do you for a moment suppose that other countries will allow themselves to be inundated with German products? Even supposing that you did manage to open up vast outlets for the merchandise of your ex-enemy, you will merely have reconstructed a Germany stronger economically than ever before, which will easily shake off your control.

It will be proposed, then, that France recover her debt by occupying for a term of years a rich German province and by appropriating to herself the net revenue from taxation and the profits made by German industries. This proposal bears a strange resemblance to annexation and would attract realist politicians of the stamp of Bismarck, who are principally interested in material gain. But it cannot be carried out to-day, because, to be effective, it must be accompanied by a customs union, and the present oligarchy of business men would not permit this under any condition.

I repeat that the occupation of the Rhineland

or Westphalia would be productive only if these provinces were fused economically and financially with France and separated from the Reich by a customs line from the Vosges to the Rhine.

Still the same dilemma! Either the occupied provinces remain united economically to Germany, in which case we only receive merchandise which will have to be exported to be converted into gold. Or else France can enlarge her economic sphere and benefit, perhaps immensely, from the vastly increased trade in goods and services. But against this solution will rebel both the ruling plutocracy and the industrial bourgeoisie which follow their lead.

Nationalism, which is a perversion of the idea of nationality, breaks down because of an internal contradiction. It attempts to reconcile imperialism and commercialism. The two cannot exist together. Imperialism thrives by destroying economic entities; commercialism aims to maintain them and to build them up.

All of which goes to prove that a political doctrine is sound only so long as it is in accord with economics.

But those who invented the phrase "Germany will pay" did not confine themselves to deceiving the country about ways and means of recovering the German debt. They omitted all mention of the debts that we owed to others. They forgot to draw the country's attention to the dangers it ran in becoming the debtor of its Allies, and in not discharging these debts *soon enough*.

. Once in a while, in the press, come faint reminders, that besides the sums borrowed from private firms abroad during the war, we do owe some small amounts to divers countries. The painful subject is never treated at undue length. One passes hurriedly on, giving it to be understood that everything will turn out for the best. At most there is an occasional reference to the fact that our total debt to England and the United States amounts to about 60 or 70 milliards. A mere bagatelle, of course!

What is the origin of this debt?

"War," I have written elsewhere, "is waged with iron, coal, and men. France gave the men—the bodies of 1,385,000 of her sons are scattered over the battlefields—while Great Britain, Italy, and the United States together lost only 1,550,000 of theirs. The blood of our nation flowed generously in the common cause.

"In return we had to ask our Allies for iron and coal. They gave them—I am mistaken; they sold them to us."

At present our creditors have adjourned the collection of their interest and amortisation charges on the war loans, but this is simply putting off the day of reckoning. Already from the other side of the Atlantic come reminders that we must soon prepare to discharge our debt.

By "discharging our debt" is meant that we will have to exchange our war footing for peace footing and that the transaction is to be in favour of our Allies. As a writer who, I have already had

occasion to quote remarks, while the Reich has only to repair actual damages and does not have to pay for war expenses, we will have to carry a foreign debt composed entirely of war expenditures.

“ We will have to pay virtually a war indemnity to our allies—that is what it comes down to. . . .”¹

How shall we manage to meet our obligations ?

Just as Germany can only extinguish her debt by exporting merchandise or labour, so, for the same reasons, we can only pay our creditors in the same manner. As the latter would have no use for our labour, since, so far as we know, there are no devastated regions in the United States or England, they would have to accept merchandise from us. Should they accept our merchandise, we would find ourselves feeding and provisioning large foreign populations at the expense of our own.

I defy anyone to escape this conclusion.

Once again we come up against that difficulty which we meet at every turn : how to export ?

We could probably strip ourselves of our reserve stocks and place our products on the American and English markets by forcing down exchange and thus imposing a tax on French wage-earners and possessors of fixed incomes. But would we be allowed to do this ? The Anglo-Saxon and neutral nations will not want cheap French goods any more than they want cheap German goods. An economically strong France would worry them almost as much as an economically powerful Germany.

What then ? Will we be asked to hand over 30

¹ *Le Bilan de la Guerre*, by Trustée, p. 122.

WHITHER FRANCE? WHITHER EUROPE?

milliards of gold francs worth of iron, petrol, or potash? Will it be suggested that we cede our Pacific islands, the Antilles, or some of our colonies in exchange for the cancellation of our debt? The country would rebel as a unit against such tributes of war, which would practically nullify our victory.

And yet what solutions are there?

There were solutions in 1918-1919, when the representatives of the great nations were seated around a conference table. *If even a few of those entrusted with defending our interests had known anything about economics and finance, they would have invoked the principles of President Wilson, who, in his fourteen points, had specifically excluded all penal indemnities.* They would have asked that this clause cover the victors as well as the vanquished.

They could have done this, for France is not the only debtor of England and the United States. According to Mr. Keynes, Italy owes these two powers 19 milliards, 800 million gold francs, besides 875 millions to France; Russia owes the Allies 19 milliards, 150 millions; Belgium, 6 milliards, 700 millions; Serbia, 1,500 millions; and the other small states who entered the war on the Allied side, 4 milliards, 100 millions. It would have been perfectly fair to ask that all these victorious nations be not required to pay their Allies what amounted to a *real war indemnity*. To lend this argument practical weight, it should have been shown that the payment of these debts would have a profound reaction upon exchange, would add to the economic confusion and would be the final

straw which would break the back of trade and commerce.

But this common-sense language was never used. No decision of any kind was reached, with the result that Europe is still in the dark. It owes the United States about 50 milliards of gold francs, besides about 43 milliards, 500 millions of gold francs to England. How can Europe meet these obligations should the Anglo-Saxon world insist they be met?

There is only one way, and only certain of the European countries are in a position to employ it: to pay their debt by transferring to their creditors part of the German indemnity.

The least which England and the United States might do is to accept German bonds in exchange for their debts. *At their own pleasure, they can, should they consider it industrially and commercially advantageous, stem the flood of German exports, grant delays to the vanquished, and negotiate with him as they like.*

This solution would certainly not be particularly advantageous for France and the other countries involved, since it would result in their being charged with expenditures which should rightly devolve upon Germany. But, taking everything into account, it is relatively to the advantage of everyone—to the advantage of the Anglo-Saxons who are at present justifiably worried by the possible economic expansion of Germany and who would like to be able to regulate German production—to the advantage of Germany, since nations, like individuals, gain by exchanging needy creditors for rich ones, who are in a position to grant delays—and, finally,

WHITHER FRANCE? WHITHER EUROPE?

to the advantage of France and her continental Allies, who will thus rid themselves of a disquieting debt, fraught with tremendous political difficulties.

And, it seems to me, this operation should be extended. I believe that France, whose debt of 85 milliards on Germany can only be met by collections in kind up to 30 or 40 milliards, should use part of the remainder to pay England and the United States and also to provide the other European nations with opportunities to clear themselves. A small Central European state, for example, would pay the American Government in bonds endorsed by Germany to France; it would then have a creditor on our continent—France—instead of across the sea.

This great policy might easily have been followed in 1918-1919; it is much more difficult to follow it now. Public opinion in the United States demands the repayment of the advances made us and appears to stand against all conversion of credits. But let us rely upon the practical sense of the American people. They will realise where their interests lie if we present our arguments strongly. They will not dream of a protectorate over Europe which their remoteness and general mentality would render it impossible to exercise.

France by herself cannot command Europe—that is out of the question for any country, under any condition—but she can aid and incite Europe to co-operate for its own economic recovery.

This highly important undertaking would be made far easier if, in the conversation between the Allied Governments which up to the present time

have always resulted in French *sacrifices without corresponding compensations*, some of the most serious mistakes committed by the Treaty of Versailles were rectified.

The first and most elementary duty of the leaders of that period was to obtain priority for the devastated regions. We fear that to-day it is too late to exact what was simply just and right.

They should also have avoided being left to face Germany alone, or nearly alone. We should have asked our Allies to guarantee reasonably estimated reconstruction expenses, and underwrite the securities of the Reich, which would thus become the debtor of a consortium of great powers. How many arguments there are in favour of this thesis ! We should have emphasised how dangerous it was for France, and consequently for the world, to leave us unaided to exact our pound of flesh from Germany. Could we not have made the Anglo-Saxons realise that they could best escape a flood of German exports by considering the reparation of the great disaster as a *European duty* and taking their share ? May France not have to pay too dearly for the mistakes of her leaders !

But whatever may happen and whatever difficulties she may encounter, France must accomplish her European mission. She will fulfil it worthily only on condition that she be free financially and that she possess a well-informed public opinion.

I find it difficult to control my anger when I see the harm done my country by a financial administra-

tion which, after weighing my words, I have so strongly condemned. I of course realise that there is another side to the good qualities of the French race—that economy, for instance, when carried to the extremes that it is in France, interferes with a true conception of the public welfare. I have studied my country's financial history sufficiently to know that money difficulties and unbalanced budgets have more than once stood in the way of the right development of our national genius. But I would have believed it out of the question that France should ever undergo the orgies with public money, the complete disregard of her national interests, that have occurred during and since the war.

France has been entangled in a tissue of lies, and does not even yet know the truth. Our tremendous internal debt and our heavy foreign debt are just beginning to be whispered. It is grudgingly admitted that Germany's debt to us has been whittled down. But the most independent thinkers hardly dare to write that, as things stand at present, we will be fortunate indeed if, with the aid of German merchandise, German labour and the meagre gold payments which we can reasonably count upon, we manage to reconstruct *part* of the devastated regions, fortunate indeed if, by transferring to the United States and England our claims on Germany, we are able to extinguish our debt to them and to buy back credits on the other European countries.

Even now it looks as if the slumber in which the nation is sunk were being prolonged with the idea of propping up the tottering power of certain men

and certain parties. Everything is being done to encourage mental laziness. The nation is told over and over again that it must receive the dividends of Victory.

What criminal folly !

There can be no salvation for France, or for Europe, until our citizens rid themselves of their illusions and shake off that vestment of lead which has been thrown about their shoulders and which for too long has weighed down upon them.

CHAPTER VI

SKYSCRAPERS AMID THE RUINS. THE RACE TO THE ABYSS

Crippled Europe faces the overstocked countries of the New World. Vulgar war profiteers and the great captains of industry; Hugo Stinnes and the "vertical" trusts. The large consortiums outside of Germany. Skyscrapers amid the ruins. Economic solutions envisaged by the plutocrats; monetary inflation. The race to the abyss.

LET us leave France.

Let us summarise briefly the condition of Europe and of the world.

A debt so colossal that one can only contemplate it with the dizzy shiver which one feels on the edge of an abyss, weighs upon the whole civilised world. It grew up in a few years of war. *It continues to increase.* It is distributed unevenly among the nations. The majority of the belligerents, who sustain almost the whole amount, are sinking beneath it.

In no section of the edifice of civilisation is there any security to be found. The financial ruin of the great nations makes the whole world rock on its foundations.

The centre of the cyclone is in Europe. The old continent is more perceptibly shaken, since it has lost its old economic predominance. Neither its rulers

nor its peoples have realised that, despite the division existing between its races, Europe formed a unit, and that it *lived because of this unity*; neither did they perceive that the balance between the classes in Europe rested upon its domination of the world and that, if war's brutal losses were not repaired, its hegemony would crumble into dust, letting loose from one end of the continent to the other rivalries between peoples, between employers and workers and between urban and rural populations. The world would thus enter upon a cycle of frantic hatred and violence.

Looking a little closer we see crippled Europe facing the United States, with its feverish activity and plethora of stocks, besides many other great countries in the same condition. The United States, Japan, Canada, and Australia are all suffering from both financial and economic confusion; they suffer from not finding the same outlets for their goods that they found in the past, and from not receiving the same manufactured products that they were accustomed to receive. They are suffering, above all, from the influx of gold—from the shower of seeming wealth which has fallen upon them from the clouds. A cyclone swept over Japan in March 1920, and over the United States in April of the same year. America is passing through a terrible unemployment crisis at this very moment. But these are passing worries for her. The great new countries will recover from their diseases. *They have youth on their side.* They will digest the glut of wealth which has suddenly been thrust upon them, just as they will escape the

contamination of Europe's poverty, even if it persists. If it persists too long, the new countries will sever all connection with Europe and will build up gradually around America, towards which the axis of the world is moving, an economic organisation similar to that now possessed by Europe. Europe will become a tiny appendix to the Asiatic continent, a kind of Asia Minor, dotted with Babylons and Ninevehs.

In a curious conversation with the Kaiser, Count Witte remarked that "unless a radical change occurs, Europe will have to abdicate the preponderant position which it now holds in the world. . . . The day is not far off when this continent will be treated with the condescending respect which well-bred people give to old men; before the next century has passed the grandeur of Europe will be to the inhabitants of our planet what the grandeur of Rome, the glory of Greece and the power of Carthage are to us."

The prediction may come true; one never can tell. The rise of the great empires beyond the seas, if so it be decreed in the book of Fate, might well coincide with the decreased development of Europe. If every effort were made to drag the old continent away from the abyss toward which it is headed, this transformation could be carried through with the merciful slowness nature usually exhibits. But narrow-mindedness, ignorance, race prejudice and greed combine to prevent this result. Meanwhile Europe is on the down grade. . . .

The eastern provinces of Europe are being de-

industrialised and are returning to the aspect they had in the Middle Ages. In the West, France, which seems to us to possess the greatest degree of vitality, is weighed down with financial burdens and is a prey to illusions and lassitude. The situation in England, though apparently less directly the result of the war, is grave. The *Nation* writes that the industrial strength of Great Britain has well-nigh ceased to exist, that, though she has many possessions and great prestige, *commerce is the blood of her life* and her commerce is being drained by taxes which no prosperous community could sustain.

Central Europe is a pile of ruins, among which Germany alone forms a vigorous economic unit. What is her condition? She is completely bankrupt, bowed down beneath the weight of a just but tremendous indemnity. Is she not undergoing an economic rebirth as a result of this indemnity? The English press appears to fear so, for time and time again it warns its readers. Summarising what many other news-sheets have expressed, the *Westminster Gazette* of July 9, 1921, declared that the levy on Germany, which was expected to annihilate that country, has given it new life.

Nevertheless, they are mistaken across the Channel in their estimate of the importance of the economic revival in Germany. They are certainly right in thinking that it is due chiefly to the fall of exchange which, in turn, is the direct consequence of the exports made by Germany so as to pay the Allies in gold. They are wrong, as we shall show, in not realising that an industrial development resting on

WHITHER FRANCE? WHITHER EUROPE?
such fragile foundations is precarious in the extreme.

Some will allege that the revival of Germany is not due to temporary circumstances, but that it proceeds from certain new methods of industrial and commercial organisation. Those who make this claim forget that the feverish activity across the Rhine dates from the fall of the mark, while the methods referred to were being practised some time before. They also forget that, though these methods originated in the Reich, they are not confined to it.

Here we broach a big subject. The methods just referred to point to a new capitalistic development. They therefore deserve to be studied very thoroughly. What is their value, not to such-and-such a country, but to Europe? Can they make Europe live again? Are those who conceived them and gave them birth capable of raising Europe from the grave? Or, on the contrary, are they not working for narrow ideals? And, if this be true, what will happen to the old continent?

One cannot answer these questions without studying the business pirates who are building amid the ruined edifices comparable to the forty-five story buildings tolerated in the United States—skyscrapers, which deprive the man in the street of light and air for the profit of millionaires.

Before introducing their builders, let us investigate the surroundings whence they sprang, and whence they draw both their strength and their weakness.

The majority of them arouse only contempt,

"Look and pass on," said Virgil to Dante as he showed him in the first circle of Hell the shadows of mediocre criminals. Mediocre criminals, for the most part, are the crowds of war profiteers—mediocre because they have not had the opportunity to win worse epithets, because, after attaining wealth, they have not possessed the vision to make full use of their ill-gotten gains. They will be lost as soon as they have to shift for themselves, as soon as they are no longer protected by friendly governments or by solid tariff walls.

"Look and pass on"

Here we see the manœuvring chiefs, pushing back and forth across the checker-board their crowds of jostling *parvenus*. These captains of industry are well worth studying.

Do they possess certain qualities? Yes, undoubtedly—a great capacity for work, a knowledge of commercial, industrial and financial machinery, which, were it not confined to details, would make them infallible, and, above all, boldness in design and execution. It is unnecessary to add that these qualities are balanced by an unscrupulousness which would drive them to violence and brutality, did they not generally consider such methods useless. They employ both violence and brutality occasionally, but only as a last resort. They prefer corruption and calumny, which latter they make full use of in the domestic press. For they have preserved and strengthened this instrument of domination, which made it possible for men in Central Europe deliberately to plan the struggle

WHITHER FRANCE? WHITHER EUROPE?

and for those in other countries to stir up hatreds which they hoped to turn into gold, though without always being conscious of the depth of the abyss towards which their greed was hurrying mankind. By means of a press which at the word of command flatters or condemns, which speaks or remains silent—by means of this press *which manufactures news*—they control public opinion for their own ends.

They do not rule openly—not they; intermediaries govern for them. They generally bring their business methods into politics. They avoid figuring on Boards of Directors, preferring always to be represented by a dummy. The captains of industry have their delegates in the administrative councils of the Government. Not that we intend to imply that the Government leaders have made deals with them. They have simply allowed themselves to be caught. They hold their jobs because often they do not realise the part they are being made to play. We have already explained that the politicians before the war were interested only in politics and ignored economics completely. Those who were better informed and who tried to direct the great flow of business into proper channels, were in the end broken by calumny. This method of removing political opponents was completed during the war by assassination and by cleverly gotten-up trials for witchcraft.

The field was cleared.

Men with money have now only to contend with babbling politicians who are so absorbed in petty intrigue as not to feel the harness which they wear

or who are resigned to endure it since that course assures them an appearance of authority. The captains of industry, the profiteers and their bourgeois associates rule those who are supposed to rule them, dominate public opinion and are, in truth, the masters of Europe to-day.

Whither are they leading Europe? They are leading it toward complete trustification. Their only interest seems to lie in buying and founding and fusing new industries. Before the war, such operations met with spirited resistance in circles where enmities flourished as a matter of course. But the cyclone of war has swept away many of these enmities by forcing former rivals to unite. The war has also destroyed, or made less important, many of the old firms which objected to the proposed concentrations. The age is favourable to skyscrapers. The magnates are busy erecting them, and it is in Germany, under the ægis of Hugo Stinnes, that their plans are being drawn.

It has been said of Hugo Stinnes that he builds up his vast structures almost anywhere with almost anybody's aid. This observation is too sweeping. It was suggested by his devouring greed, his genius for amalgamation and his imagination. Herr Stinnes possesses a system which he applies, feverishly perhaps, but at any rate in an exceptionally resourceful manner. He is the founder of the *vertical trust*, which consists in uniting different industries participating in the manufacture of the same product. Beginning as an iron-master, he managed to form into a trust named the *Rhein-Elbe Union*, the

most important coal mines and blast furnaces of the Ruhr, including immense companies like the *Deutsch-Luxembourg*, the *Gelsenkirchen*, and the *Bochumer Verein*. He completed this group by joining to it the *Siemens-Schuckert* (Berlin-Nuremberg) group, the oldest manufacturers of electrical material in Germany. He thus founded the big electro-metallurgical combine which bears the name *Siemens-Rhein-Elbe-Schuckert Union*. Starting with raw materials, iron and coal, it embraces every step down to the production of the finished article. It is, at present, the largest vertical trust in existence. Herr Stinnes controls another trust which though less important industrially is of a far greater moral and political significance. He is said to own between sixty and one hundred newspapers. To insure their prosperity, as well as to control the entire press, he has formed the big German paper factories into trusts and he has acquired the cellulose factories and the forests which supply the pulp. Through his mines he already owns the coal which puts all factories in motion.

A socialist paper, the *Metallarbeiter Zeitung*, made an estimate of the capital controlled by Stinnes. The *Siemens-Rhein-Elbe-Schuckert Union* represents over 2 milliards, 500 million marks. The direct or indirect interests of the Stinnes group in other business would account for a similar sum. And the personal undertakings and interests of the great iron magnate amount to about 3 milliards more. Altogether, therefore, he controls about 8 milliards of marks, of which only a part is employed in Germany.

This great industrialist has not confined himself to working in his own country. He has bent every effort toward incorporating in his business some of the big concerns in Austria, Hungary, Italy, Yugoslavia, Switzerland, Norway and Rumania, and almost everywhere he has been successful. He quite recently acquired a large printing-house in Zurich so as to exercise control over all its publications; he is not satisfied with controlling newspapers, he wants to control even pamphlets and books. Those who know him know that he will employ no half-measures. But this is his "propaganda" side, and though its moral and political importance is striking, it is of secondary importance from the economic point of view. The propaganda activity is introduced only to influence economics. Here are some examples which may help us to understand the methods of the man who has been called the German Rockefeller. Stinnes bought the iron mines and blast furnaces of Styria, most of which had been closed down for lack of coal. By connecting them with the Ruhr he was able to despatch quickly the fuel needed; one after another the blast furnaces were put back into commission and Styrian unemployment was at an end. As this iron is of a particularly fine quality and the Styrian workmen specially skilful, these factories are now producing a remarkable quality of steel which is used to supply the abandoned factories of Vienna and Wiener-Neustadt. The English *Nation* is thus led to write that for three years the best intentioned people, among them the highest Allied officials, have been

studying plans for the relief of Austria. But that these plans have never materialised and that Stinnes alone has obtained definite results.

The same methods were employed in Italy. In March, 1921, Stinnes secured 182,000 shares of the "*Alpine Montan Gesellschaft*, a big smelting concern situated in a part of the old Austrian Empire annexed to Italy (iron mines and 12 blast furnaces). These securities were sold to him by the Fiat automobile company in Turin. "What else could I do," answered M. Agnelli, head of the Fiat, to those who questioned his action, "when the Italian Government, which I first consulted, did not oppose the sale and had made no effort to obtain the coal necessary for our factories from Czecho-Slovakia and Silesia?"

Now you perceive the importance of economic geography. Do you realise the extent of the error committed at the Peace Conference in not devising an European economic code? The biggest coal deposits are in Germany—this is a fact which nothing can change. The owners of these deposits, to whom a sort of uncontrolled monopoly has been given, can at their own sweet will feed or starve coal-burning industries. At the same time customs lines have been encouraged, and these interfere with the delivery of coal from other European countries, such as Czecho-Slovakia, Hungary, etc. This has been carried to such lengths that the industries we have cited, which are not near coal beds or which are artificially separated from them, find it difficult, often impossible, to live. Such conditions favour the

German industrialist, and he is making the most of them. He rakes in factories cheaply and restores them to life, dragging them, as it were, from the grave into which they were being cast.

The Stinnes group is not the only one. There are other vertical trusts in Germany, and there are horizontal trusts also. The latter consist in uniting all the industries of the same kind in the same country, and, if possible, abroad. It is the old pre-war system upon which the American pools were built. It begins to look, however, as if it would have to give way to "verticalism," whose partisans insist that it more fully meets present-day economic needs. They point out that Hugo Stinnes' system better avoids waste, suppresses the profit of the middleman and reduces friction between industries. However this may be, trusts, both horizontal and vertical, are overrunning Germany. Besides the skyscrapers of Stinnes rise the lesser fortresses of the Klockner, Thyssen, Haniel, Sturm and Krupp groups. . . .

And outside of Germany ?

Employing slightly different methods, a few big combines are being founded in France and England. One of these in particular can bear comparison with Stinnes' syndicates. *L'Union Européenne Industrielle et Financière* was created in France to take over and run a number of businesses in Central Europe of which Creusot and certain Parisian banks had gained control. Its holdings comprise the old *Skoda* establishment (foundries, iron, and steel works), the *Société des Établissements Réunis* (machine

WHITHER FRANCE? WHITHER EUROPE?

works), the *Oesterreichische Berg- und Hüttenwerk Gesellschaft* (coal and iron mines, blast furnaces), the iron and steel works of *Hutta Bankova* in Poland, and others. Following the example of the *Union Européenne*, other groups (French, Belgian, and English) have been formed to gather in metallurgical and oil concerns in Czecho-Slovakia, Poland, Hungary, and Rumania. They are successful because of the depreciated currency of these countries and the higher value of the English pound or even the French franc over the mark of Stinnes or Thyssen.

Such are the facts, or rather some of them.

Let us try to be more successful than the countryman who, returning from Paris, complained that he had not seen the city because the houses were in the way. Let us try to discern Europe, prostrate beneath the skyscrapers; let us try to discover the future which may be hers. In the first place let us look at Germany.

We have quoted English journalists who tell us that Germany is bursting with prosperity. That under the direction of her industrial dictators, "she is becoming a giant." How much of this should we believe? In this, as in everything, there are two sides to the picture, the side we see and the side we do not see.

We see factories, humming again in the last few months, iron works, blast furnaces, steel works in the Rhineland which in 1921 were yielding a 25 per cent output and which now are yielding 50 to 60 per cent. We see textile industries swamped

with orders, a rise in the market price of all industrial shares, and a decrease in the number of unemployed. (143,375 unemployed on July 31, 1921, in Germany as compared with 2,000,000 in England.)

What we do not see is that this prosperity is largely fictitious, the result of the fall of the mark. We have made the following trite observation before and we shall repeat it often again : a debased currency retains, *for a certain length of time*, a purchasing power greater than its value in the open market ; wages in particular do not rise immediately in proportion to the fall of the currency. The fall in the mark is artificially provoked by the gold payments exacted from Germany. It will cease on the day—which we hope is near—when an intelligent reparations policy is inaugurated, when payments in kind will, as far as possible, replace gold payments, and when Germany shall have been granted a reasonable delay, with the necessary guarantees and precautions. As soon as the mark rises, manufacturing costs will rise, exports will decrease, and German manufacturers, forced to slow down production, will find themselves loaded with stocks which will be most difficult to dispose of. An English financier, Mr. Gibson, has really grasped the situation. “There is little doubt,” he writes, “about what is happening in Germany ; that nation shows all the outward signs of prosperity and commercial success, but beneath the surface, if I may say so, lie economic rocks towards which it seems to be headed.”

Let us look at things in their true colours.

WHITHER FRANCE? WHITHER EUROPE?

As we have said, it was in Germany that the new methods sprang up. If all the dictators of German industry were to act together, the Reich could become a single gigantic skyscraper. But that stage has not been reached. Germany is still under the burgraves. There are struggles between the trust leaders, Stinnes against Rathenau, as of yore there were struggles between the titled bandits on the Rhine. Like their forefathers, these modern burgraves have rivals in France and in England, rivals with whom they sometimes fight and sometimes come to agreements.

Europe, in truth, is on the verge of sinking into anarchical feudalism. The trust chiefs are the dukes and counts of modern days.¹ Masters of iron, steel, and coal, they carve out states for themselves within the state, enslaving the public authorities just as the great feudal nobles of the tenth and eleventh centuries used to smother the King of France in his mantle of fleurs-de-lis or crush the Emperor, this demi-God, beneath the weight of the crown which they placed upon his head with their own hands.

History shows that war may break out at any moment, under any pretext, among the mighty ones of the earth, if their interests have nothing in common with the interests of the public, if the commonwealth is their property. This was proved in

¹ The captains of industry are becoming bolder every day. In Germany, Stinnes is trying to tear the railroads from the State. In France, there is a rumour that part of the state monopolies is to be conceded to "private enterprise."

1914, when the skyscrapers were just showing themselves on the horizon, and it will be proved once more, alas ! “ unless the people be on their guard.”

You will say that these horizontal and vertical trusts mean organisation, that they cut down unnecessary expense, that they provide the factories with raw materials and fuel, that they bring dying concerns to life ; in short, that they make for increased production—and it is by production alone that Europe can be saved.

True, but only if this production be not extravagant ; only if it aim towards reducing, not raising, prices ; only if its leaders consent, or are forced to consent, to the sacrifices necessary to restore national economy and finance ; only if, willingly or unwillingly, they abandon the cult of a debased currency ; and finally, only if they give all their employés a share in the management as well as the profits of their concerns.

If not, it will mean, sooner or later, war between the world of labour and the magnates ; it will mean the ruin, day by day, of the public finances of every nation ; it will mean a further dislocation of foreign exchange ; it will mean conflicts between industrial potentates of the same country ; and, above all, wars, wars, wars—waged one day to sell off certain stocks, the next day for the possession of a certain market or the looting of a certain firm.

Am I painting the picture too darkly ? “ From the economic point of view, the whole world lives,” writes Herr Rathenau, “ under the dominion of a plutocracy. In certain countries, it has possessed itself of complete power, makes the laws and the

constitution and decides on war or peace ; in others, it shares political power with its traditional possessors. Plutocracy is the domination of a caste, an oligarchy, and the most hateful of all oligarchies, since it has no ideals. . . . It acts—*not from ideals but from self-interest ; it aims only to maintain itself in power and to enrich itself.*”

Remember the italicised sentences. How can we hope for the salvation of Europe from men who aim only to maintain themselves in power and to enrich themselves? Such a tremendous problem does not interest them ; it is beyond their ken.

The secondary qualities of work and technical knowledge which, being more generous than Herr Rathenau, we conceded to the profiteers, enable them to realise that the reconstruction of the continent is subordinated to international economic agreements. And so, from time to time, they dream of creating a super-trust, a trust of oligarchs. When revolutionary uprisings are in the air, they dream of forming a new Holy Alliance, a Holy Alliance of metal, oil, wool, and cotton ! But the dream fades rapidly ; feudal nobles have always fought one another ; they cannot agree among themselves, even to share a big booty.

There remains one sensible policy which they might adopt. They might agree together to work constructively for the general good, seeing that only so will they delay the inevitable fall of the oligarchy. But the two conditions essential to this policy—a reasonably stable system of foreign exchange and a

new European monetary system—are repugnant to them.

To bring international exchange back to normal, by reducing import duties and establishing moderate tariffs, would mean the end of the hot-house industries which sprang up during the war. The creation of a European currency and the resulting unification of exchange would mean the virtual suppression of speculation. It would also entail lower prices. What then would become of the stocks on hand? And so the plan meets with opposition all along the line.

A European currency, its adversaries maintain, would result in the return to normal exchange—and that would spell ruin for all countries. The French Treasury, for example, is able to collect 20 to 25 milliards to-day because the paper franc is worth only one-third as much as the gold franc, and the taxpayer is consequently paying 7, 8, or 9 milliards at the most. With exchange at par, how could the taxpayer be made to pay four or five times what he paid in 1914? No doubt, the problem would be simplified by the lowering of prices and the subsequent reduction in state expenditures, but the main burden—the internal debt—would not be affected and it amounts to 12 milliards at least:

There is a great deal of truth in these observations, which apply to most European states as well as to France, but what conclusions are to be drawn from them if not that we must act prudently in

order to avoid a sudden deflation, if not that the question of the state debt must be solved and the public debts reduced and gradually extinguished? How? By a surgical operation, as many demand, or by tremendous international combinations—probably by both.

But the plutocrats will not hear of this. They insist that the holders of state bonds would profit unjustly by the return to normal rates of exchange. They give as an example the fact that when the French State borrowed 40 milliards in 1920, it received 40 milliards worth of paper money, equal at that period to 14 or 15 milliards of gold francs. Should exchange return to par, the nation would owe 40 milliards of gold francs. This reasoning is unanswerable, but needs to be completed. Loans were made before the fall of the franc; there is a pre-war debt in particular. One must not forget that the holders of the old French 3 per cent bonds, often bought at par, were entitled to expect a dividend of 3 gold francs on every 100 francs of nominal capital. To-day they are being defrauded of almost two-thirds of their income when they receive from the state 3 paper francs, i.e. one gold franc, or one franc thirty centimes. They thus lose more than half or nearly two-thirds of their revenue. Orthodox circles strongly condemned the law "*du tiers consolidé*" (The Revolutionary law of repudiation). They seem not to realise that the loss recently caused the holders of pre-war bonds bears a strange resemblance to this revolutionary proceeding.

An additional conclusion may be drawn from

these facts : the debt problem is closely allied to the problem of exchange, and extinction, as well as the conversion of the European debts, must be accompanied by a composition of the national debts.

But the oligarchs declare these solutions unworkable or inapplicable, and reveal their archaic mentality by demanding an increase in inflation.

Still more paper, milliards of new bank notes—not for internal purposes, which might be to a slight extent legitimate on account of the present hoarding, but in order to swell the purchasing power. Exchange will fall still lower, the *rentiers* and those with fixed incomes will be still further defrauded. So much the better, whisper the profiteers, it is to our advantage to spread the insidious bankruptcy of the state and of private businesses. Yes, for prices will then rise and the profiteers will be able to dispose of their stocks. What if there is underconsumption ? Production will simply be reduced ; large profits will continue to be made.

This programme may be summed up in a single phrase : *organised bankruptcy and organised exploitation of the working class for the benefit of an oligarchy subsidised by “ paper-money forgers.”*¹

Such a programme condemns the small *rentier* and pensioner to poverty almost. It drives the working man to choose between remaining unemployed—and dying of hunger—or accepting inadequate wages. It causes bigger deficits in the budget, since the revenue from indirect taxes

¹ The expression is an invention of the economist M. Joseph Dubois.

WHITHER FRANCE? WHITHER EUROPE?

decreases in proportion as under-consumption increases. It forces the state to resort to constantly renewed loans and to issuing a continuous stream of bank-notes.

When all this happens the race towards the abyss will have begun.

The abyss means either a long period of panics, wars, and civil discords which will wreck Europe, or else the slow death of the old continent—a new gigantic Byzantium, lulled to its last agony by the trust chiefs.

Must we resign ourselves to this fate? Must we believe that it is impossible to resuscitate the old countries, consumed as they are with greed and hate? Is old Europe condemned, as many seem to believe, to waver between reaction and revolution and finally to sink into a despotic jacquerie, whence later a new Europe will arise and rebuild itself upon the ruins? Is the London *Nation* right in thinking that our present society may not be worth saving? These words are words of despair to which many men will not listen. Such men think that Europe can and must recover, if only her citizens will destroy the skyscrapers before they topple over and crush them.

But whence comes the dawn? Does it come, like the daylight, from the East? From Asia perhaps, where unknown movements are already astir?

CHAPTER VII

THE MAIN POLITICAL PROBLEM

Communism and Capitalism ; the Soviet Government ; the defeat of the Bolshevik revolution. The sovereignty of science. Its continual creation of industrial insecurity and economic and political instability. How to profit by its discoveries and yet prevent the disasters which these discoveries often entail ?

IN the front of the first volume of *Parliamentary Speeches of Jaurès* is an introduction entitled "Socialism and Radicalism in 1885" which every man who enters—or contemplates entering—public life should read.

A few quotations from it, at the beginning of a chapter which will treat in a cursory manner of communism and capitalism, will explain the state of mind of those who, though deeply concerned with economic and social progress, believe that there are no miracles on this earth and that mankind is governed by the Latin adage "Nature does not proceed by leaps and bounds."

Jaurès, in an attempt to give a picture of Jules Ferry, wrote that he had no metaphysical or dogmatic prejudices about property. "I was present," he added, "at a brief controversy between him and M. Allain-Targé. 'Property is a *social institution*,' said M. Allain-Targé, by this meaning that it existed only on account of society, and that society

therefore had the right to regulate by law a force which proceeded from itself. 'It is first of all a political institution,' answered Jules Ferry; that is to say, a means to prevent the competition which would spring up among men as a result of the uncertainty of economic life, in this way forming a governing class capable of introducing into public life the stability growing out of vested interests."

Property—a political institution! This noble phrase is worthy of the statesman whose mind was all-embracing! Jaurès remarked that Jules Ferry "stopped on the threshold of the social problem." But it was not, he said, that Ferry supposed human life to be frozen for ever into the present economic mould. He possessed too fine a sense of evolution and of history for that. He had even gone so far as to defend modern industry, that brutal and yet liberating force, against M. de Mun and the reactionaries who talked of guilds and small handicrafts, with a breadth of view which seemed to hold a promise of still further evolution. Guilds had been useful in the past, but their day was ended. Whoever does not stop to-day upon the threshold of the social problem must consider whether or not the institution of private property has now had its day and must end.

"But this case has already been decided!" will cry the passionate individualists, who do not want to listen to reason, who—to use a phrase of Jaurès again—have a metaphysical and dogmatic prejudice. Their cry will be repeated timidly by those who,

while admitting that in no society will an absolute form of property ever exist and that public property has everywhere increased enormously in the last fifty years at the expense of private property, nevertheless obstinately insist upon considering private property not as a political institution but as a means of expressing human personality.

"The case has already been decided!" they will all cry out, "because the communist revolution has failed, or is failing, in Russia."

What abortive reasoning! Partisans of the soviet system would be within their rights in answering that their experiment was not able to develop freely because of the Entente blockade, because of the relentless war which the western profiteers let loose upon Lenin and Trotsky. Such an argument has, to say the least, a certain strength. Those who attempted to build a barbed wire fence around Soviet Russia are indeed open to a charge of criminal neglect, for they not only ruined millions of small Russian bondholders all over Europe, and particularly in France, and considerably damaged the general economic situation by cutting off so populous and fertile a country, but they even aroused a spirit of *religious fanaticism* in a section of the working class. The latter became imbued with the idea that a complete overthrow of society was possible, for the very reason that the oligarchs tried to mount guard over the Russian Revolution. This policy was so outrageously stupid that it cannot be explained away on the sole score of ignorance and fear; it seems almost to have been inspired by a will to

provoke. Perhaps the profiteers hoped to incite popular outbursts and then to repress them with blood and iron.

They did not succeed.

They only succeeded in instilling in the masses a psychology analogous to that which caused the Paris Commune—an interlude which lasted only a few months but for years affected the point of view of the advanced French parties and even had its influence on French policy as a whole. In this manner violence turns against its authors.

Whatever the fate of the Russian Revolution, it is certain that from now on its doctrines will permeate the world. We have shown how sovietism has filtered into Central Europe. The "green rising" introduced two ideas which will carry more and more weight as time goes on: professional representation and strict and constant control by the people of their mandatories. This movement, with all its dangers, will spread unless some way is found to save countries from the shocking mistakes which their parliaments usually make when legislating on economic matters, and unless their elected representatives are freed from the control of business and the press.

It is also beyond doubt that in other matters—particularly in education, where impartial observers admit that Russia has planned and partly carried out wide reforms—the bold legislation which sooner or later is bound to be enacted will be modelled on that of the young Russian republic.

But to return to economics. Without considering

THE MAIN POLITICAL PROBLEM

that the defeat of sovietism constitutes decisive proof of the error of communistic theories (neither would we have admitted that its success was decisive, for a theory may be suited to an Asiatic semi-civilisation and still be quite unsuited to European civilisation) we intend to find out, in the light of events, if communism is fitted to replace capitalism in the near future.

There is nothing more simple, in theory, than the communist régime. All instruments of production are common property, all products are divided among individuals according to their needs. But it has turned out to be impossible ever to apply the second provision. In Russia, for example, it proved impossible almost from the first to pay all workers alike. Under the pressure of necessity, a differentiation gradually had to be introduced between various categories of wages.¹ "Whenever," writes M. Zagorsky, "the soviet authorities have attempted to keep up industrial activity they have been obliged to employ capitalistic methods. They have found it necessary to establish piece work and pay, to re-establish such disciplinary penalties and fines and to offer bonuses." Official accounts confirm this statement. The decrees of October 23, 1920, February 5 and August 7, 1921, for example, created "output bonuses," thus sanctioning an inequality of wages. The workers have even been given the

¹ In 1920 M. Raoul Labry published a most interesting collection of the laws and decrees enacted by the Bolshevik government from the beginning of the revolution to the end of 1918.

right to work in factories with materials which they find there (but *outside of regular working hours*), and the articles they make in this manner belong to them and may be sold or exchanged. This peculiar system, tinged with economic anarchy, seems to have been invented to disguise the many violations of the principles which have been proclaimed *ex cathedra*.

It is useless to discuss the subject further. The equal distribution of products among individuals has been proved, after a brief experiment, to be chimerical and disastrous. Russian communism, like preceding experiments, has rapidly turned into "collectivism"; it has confined itself to appropriating to the state the means of production.

This, some will say, is in itself a big reform. At first sight, the chief result seems to me to have been merely the establishment of a gigantic trust—a trust comprising all the activities of the nation, when nationalisation is complete, certain activities, when nationalisation is only partial.

We know beforehand the answer we shall receive: as master of industry, commerce, and finance, the state will eliminate speculation and gambling; unlike the builders of skyscrapers who favour their private interests only, the state will have at heart the interests of all the people.

If it held good, this argument would be of itself sufficient to justify the new régime. It therefore deserves careful consideration.

There are three kinds of wealth: agriculture, commercial, and industrial.

As far as the question of landed property is concerned, the communist system has failed completely, not as a result of the blockade and war, but because Lenin and his friends were unable to seize and hold power without the support of the peasants. This support they obtained by the promises of land. No doubt at first they deluded themselves into thinking that the gift was only temporary; no doubt they hoped gradually to convert the muzhiks; but these hopes, if they ever did exist, were frustrated. Not only did the Bolsheviks have to distribute to the peasants the *latifundia* of the nobles, they had even to consent to the abolition of what public property did exist in Russia under the Czars. The *mir*, or communal domain, which in pre-revolutionary days could not be infringed upon, is fast disappearing. It has been divided up among those who use it. One may drown these facts beneath floods of phrases; one may speak of provisional solutions—as if any peasants ever allowed themselves to be stripped of the land they had once captured; one may praise the state's cultivation of uncultivated land—an excellent experiment indeed, which, if it is successful, will have the advantage of spreading scientific methods of cultivation, but which has been tried on a smaller scale by the capitalistic states and is in no way communistic. The truth is that the men who seized power in Petrograd in 1917 acted exactly as our revolutionary *constituants* and *conventionnels* acted; they gave the land to the peasants. This is undoubtedly a big step for-

WHITHER FRANCE? WHITHER EUROPE?

ward, but a step quite opposed to communistic doctrines.

The Bolsheviks decreed the suppression of every kind of commercial intermediary, from the big stores and big banks down to the smallest retailer and humblest tradesman. They did this in the simplest way possible ; by proclaiming on bits of paper that in future commerce of every kind should not exist, that the exchange of products would be undertaken by state co-operatives or in state shops, under the supervision of an immense official bureaucracy. It is difficult to understand how intelligent and cultivated men could imagine for a moment that such ukases could be applied. The only explanation of it is to be found in the past lives of Russia's political personnel. Taking no part in governmental administration and businesses, living in books, imbued to the very core with theories, Lenin and his disciples were convinced that when they came to power they could mould life according to their preconceived ideas. When governments give themselves over to such fantasies one of two things happens : either the system suddenly crumbles away, carrying with it those who conceive it—or else, if the leaders have intelligence and character enough to maintain themselves in power, the régime which they were foolish enough to inaugurate dwindles day by day until at last its leaders decide on evolution.

This is what happened in Russia.

So far as our scraps of information about Russia allow us to judge, it appears that commerce was

abolished in theory only, that trade was continuously practised on a large scale and that, becoming a sort of contraband, naturally became tainted with all the evils that go with illegal transactions. It is not denied that fraudulent sales of food products and manufactured articles gave opportunity for every kind of speculation. In spite of municipalisation of buildings in the cities, houses and land have been sold since the revolution just as they were before. In spite of nationalisation, extravagant trading in industrial shares has taken place. It is said that to take the place of the stock exchange which was suppressed, secret stock exchanges were established. Perhaps we are exaggerating. What does it matter? What *does* matter is that once again the law of common-sense has triumphed, viz.: that one cannot overthrow in a day a whole set of economic regulations which have been built up little by little; that they must be improved slowly because they do exist, because they have fixed a whole set of customs and habits and because they make up the life of the nation.

And to this law the Bolsheviki leaders have had to bow. A succession of decrees has re-established private trading and put an end to a period of experiment which has proved very harmful to Russia. As was easy to foresee, the embargo on a free circulation of merchandise has temporarily broken the whole machinery of production.

Bolshevik experiments in the realm of industry have been scarcely more successful. Steeped in the doctrines of Karl Marx, the Russian politicians

attacked big capitalistic enterprises almost exclusively. They imagined that it was an easy matter to substitute the state for a little group of employers. It was indeed easy to dispossess them, but it was difficult to run their businesses. They flattered themselves that they could do so by applying to a unified industry certain hard-and-fast regulations drawn from the instructions of the Master but founded on misconceptions. They did not realise that the business world had evolved since the days of the author of "Capital." They did not know how complex business had become nor the groupings into which it had fallen. They did not know that the larger firms had become cohesive units with methods and personalities of their own.

If they had understood this they would have known that by suddenly seizing factories and discharging most of the higher employés, by amalgamating firms without sufficient study, by suppressing banking and commercial machinery, they would put them all out of joint and thus encourage smaller businesses, to the great detriment of economic progress.

Both of these things resulted. Some of the factories found it impossible to exist. Others survived because the old methods were continued or brought to life again, but as these methods were only applied in conjunction with the newly decreed methods a most remarkable medley resulted. An article published in the soviet review, *Economic Life*, under the significant title "The Capitalistic

Subsoil," gives interesting details about this astounding state of affairs.

"Bourgeois technical experts," writes M. Zokolnikoff, the great economist, "who have not emigrated abroad, are being taken into the economic organisation of the soviets. They maintain their old friendships and business interests. They still have the old psychology and the old methods of work, as well as the tendency to defend their own ways of life.

"All this, naturally, tends to re-establish the old type of economic relations on the old basis of commercial and industrial profit. The bourgeois business-men used to be the legal owners of the metal, wood, and leather which they manufactured. Nowadays they no longer have the right to dispose of these commodities freely; but, as a result of the preponderance of the bourgeois element, we see a strange 'commune' in which no capitalist can individually own property but in which they all, as a group, still enjoy the same advantages as before the revolution.

"In this way, a double organisation is being formed inside many industries, ostensibly communist, actually capitalistic. Under these circumstances attempts at legal action in accordance with the decrees lead nowhere. Soviet institutions can only obtain what is due to them by applying to the secret capitalistic organisation."

Under these conditions big businesses inevitably give way to medium-sized and small businesses, which are able to exist because they are not subject

to confiscation, nationalisation, or regulation and because they only employ a limited number of workers and consequently require minimum quantities of fuel and raw materials. "Never before in Russia," writes M. Zagorsky, "has home manufacturing been so extensive. Many people, among them ex-merchants, workmen, and even technical experts, have been led to setting up small businesses in their homes so as to be able to work free from soviet regulation. *The destruction of large-scale industry has increased the number of little enterprises, the development of which used to be prevented by competition.*" The professor of political economy emphasises this fact by showing that small businesses are assisted and encouraged by the soviet authorities. As they are powerless to obtain any results from the big factories, and as they realise that the little firms can, to a certain degree, meet the demands of local markets, the soviet authorities give them hearty support and even go so far as to grant them state subsidies. . . . Soviet policy encourages the growth of the conservative strata of small traders and merchants, who cling to their little holdings and who see in them the foundation, not only of their own industry, but of the whole economic and social system.

Does the following assertion of M. Zagorsky seem exaggerated? "The soviet authorities aimed to establish communism in Russia, but they created instead conditions which favoured the return of primitive, brutal, and ruinous capitalism." Perhaps it is indeed exaggerated, but the statement of

the motives which led to the ordinance of October 9, 1921 (sanctioning the new economic orientation of the soviets towards state capitalism), appears to justify all his allegations. At any rate, Russia has certainly gone backwards industrially as well as agriculturally. This has happened against the wishes of Lenin, who is said to have remarked: "We must not be misled into saying that capitalism is an evil and socialism a benefit. Capitalism is evil compared to socialism—but good compared to feudalism and archaic methods of production."¹ The second half of this remark cannot be disputed. The first half is also true, provided that socialism be defined as the suppression of privilege. On this broad basis there are many who would agree with Lenin. But others, going even further than the President of the People's Commissary, will not admit that absolute communism is Utopian, or that modified communism is impracticable in the present state of the world. While admitting that even modified communism has failed at present, they insist that it will revive following the revolutions which are bound to occur in other countries. Mistakes were undoubtedly made in Russia, they say, but they ask if this is not always the case when great changes take place? The mistakes have forced Bolshevik leaders to take several backward steps, thus enabling the adversaries of Bolshevism to score a point. But while admitting this they claim that one is not thereby entitled to proclaim the failure of communism as a whole, which, were

¹ *Humanité*, September 20, 1921; article by M. Lorient.

it better organised and limited at first to absorbing big businesses, with the ultimate aim of doing away with the domination of a few men over the mass of workers, would bring to humanity inestimable economic and social progress.

The defenders of sovietism are seen to be changing their ground. Does the nationalisation of big industries and businesses, which we do not deny could be accomplished, involve more benefits than disadvantages?—this is the subject of the new debate. One cannot engage in it without having defined the term “nationalisation” beforehand, without having tried to find the conditions under which nationalisation is possible.

“It is mad,” an English paper remarks, “to start a revolution from below before the more intellectual of the industrialists—or at least part of them—feel a sympathetic interest in the problem as seen by the workers.” Nothing could be more true. The soviet authorities realise this, some will argue, and made every effort to attract experts and skilled workers to their cause. Yes, but without success, because they had not taken the precaution of arousing among the intellectual industrialists the necessary sympathy and interest, because they attempted to make use of the experts in ruined factories, and, above all, because they wanted the experts to break suddenly with their habits and their old outlook. That is, and always will be, impossible.

It is an outworn conception to think that in production there are two distinctly separate classes

—employers and workers. The industrial world to-day is much more subtly shaded. Not only is there little resemblance between the psychological point of view of the factory worker and the worker in a small concern who daily rubs elbows with his employer, but in the big factory there is a whole gamut of states of mind, from the view point of the salaried director down to that of the day-labourer. The skilled employé often feels himself more in sympathy with the employer than with the day-labourer. Yet nevertheless there is a common bond between them all—the business—always provided that it has a personality and a past. Superintendents, engineers, foremen, clerks, and even day-labourers all work for the business to which they belong and which they wish to see prosper, regarding it almost as a living person. Imagination lends a soul to inanimate things.

Indeed, it is useless to talk about any serious reform of industry and commerce without obtaining the collaboration of every group. This can only be done if care is taken not to tear any group of workers too brusquely away from their accustomed methods of work and not to smash their hierarchical system to bits, but merely to improve it gradually.

Thus, the deeper one goes into this question, the slimmer become the chances of the success of communism. Collectivism, to call it by its proper name, which was to destroy everything, is thus summarily banished from the earth—indeed, it is the cause of its own banishment. It will have nothing to do with small trade and small busi-

WHITHER FRANCE? WHITHER EUROPE?

nesses; it wishes to run big undertakings. But it can only do this successfully by preserving the framework of these businesses, and so this great reform resolves itself into the substitution of the state in the place of the factory employer.

It is with this limited conception that we are now going to concern ourselves. Let us look forward. The state has become master of the great industries of trade and of the banks. It has liquidated the subscribed capital stock, either by suppressing it entirely—which many people, including myself, consider unacceptable—or by calling it in, which would amount to transforming the shares into bonds. This procedure would be acceptable since it would strip capital of its powerful control without infringing the right of the individual. But these are secondary matters. The great question concerns the production of wealth. What is really important is to know who will administer big businesses in place of the capitalists.

The state, replies the logical communist. But who is the state? The politicians! Politicians are to be entrusted with the management and even the reform of industry. Arrant madness! Politicians know nothing of these questions, they are interested only in politics and are haunted by the desire to please their constituents. Arrant madness, because their activities extend over a far larger field than do the activities of the captains of industry, and every false move will have tremendous and disconcerting reactions.

They will inevitably endanger the industry of the whole country by too much or too little initiative.

Let us take one example. It is well known that Lenin has a favourite plan : to electrify Russian production. Men like Mr. Wells and Mr. Bertrand Russell, to whom the President of the Soviets explained his plans, considered them Utopian. Perhaps Lenin is right. But what if he is wrong ? We confess that, for our part, we would not hesitate long between the opinion of a politician like Lenin and a scientist like Mr. Russell. If Lenin is wrong, it means the dislocation of all the industry of the nation, it means tremendous expense which will devolve upon the whole nation and which, even if it is not pure loss, will at any rate have been incurred for a meagre result.

I agree that big industrialists may also make mistakes. But to begin with, they act as a check upon one another ; watching one another, fearing one another, envying one another, they are prudent in their innovations. They start on a new path only after exploring the ground thoroughly and after sounding out their rivals whom, they know only too well, will catch them up if they make a mistake. Moreover, however powerful they may be, they can control only a certain number of industries and a certain amount of capital. The errors they make can ruin individuals and destroy factories. But they involve only partial disaster, they cannot entail complete ruin.

Can a state, directed by politicians and an all-

WHITHER FRANCE? WHITHER EUROPE?

powerful bureaucracy, adapt industry to the advance of science?

We approach a great question, a question which far surpasses in importance communism or capitalism—the question of science and relation to world economy.

In a remarkable book entitled *Petrol*, M. Francis Delaisi describes the vast commercial revolution, fraught with economic and political commotions, which results from a small technical discovery. "An engineer takes an unused residue of petrol, mazout; he pulverises it into tiny droplets and projects it into the boiler of a big steamer. This simple process is going to modify the structure of society and the plans of empires." And, in fact, the big transatlantic steamers are all adopting, or preparing to adopt, the new fuel which gives more heat than coal in a smaller volume, and which costs less and takes up less room. The warships will follow suit. The big business-men of the world are going to get busy. They will try to gain possession of the oil wells in order to build up their businesses, to insure themselves against a possible decline of coal production and to keep up with, or anticipate, the orders of their governments. The whole world is going to compete for this precious liquid—the oil battle is just begun.

To-morrow a new invention may dethrone mazout. Any day a substitute for gasolene may be discovered. This is but a hypothesis, of course, but a hypothesis which may be a fact in a few years.

Let us consider other eventualities which are less important but which are even nearer to us.

The metallurgical interests, as we have shown in a previous chapter, are prisoners of coke, which is the only thing that can be used to feed their present furnaces. They attempted to free themselves from this servitude before the war by using electricity derived from the forces of nature. Electric blast furnaces had already appeared in Scandinavia and in Canada, and in other countries efforts were being made to electrify smelting industries. The big French metallurgical establishments were in particular beginning to utilise the powerful waterfalls existing in the Jura, in the Dauphiné, in the Massif Central and in the Pyrénées.

New discoveries will probably overthrow these plans. The discovery of pulverised coal or of "solid gas"¹ may completely modify industrial technique. If steel can be manufactured directly—it seems as though we are on the eve of such a discovery—industry will be changed from top to bottom. A French engineer is said to have shown that furnaces in their present form are superannuated and that steel can be made without going through the preliminary state of casting. Coke, consequently, will no longer be essential. If this is really true it will revolutionise the iron industry. The furnaces

¹ Remarkable articles appeared on this subject in the *Progrès Civique* in July and October 1921, over the signature of M. Houllé-vigne, Professor of Science at Marseilles, and of M. Baron, Deputy and powder engineer.

WHITHER FRANCE? WHITHER EUROPE?

which to-day blacken the horizon in manufacturing regions, which cost fortunes to erect a few years ago, will be but romantic ruins. What a change this will mean in wealth and what a displacement in power! France, rich in iron and poor in coke, has been held in leading strings by her neighbours. Should coke no longer be essential, she will be free, she will possess a powerful foundry business and will be able to industrialise the western provinces of Anjou, Normandy, and Brittany, all of which lack coal but abound in iron. Though coal still rules, it is beginning to lose ground and from now on the industrial map of Europe is going to change. Factories will no longer cluster about coal pits; they will scatter. Some will fail, others will rise fabulously in value.

Does not all that we have just written emphasise one of the chief characteristics of our epoch: *industrial insecurity*?

Let us turn from special examples to general conclusions.

Science, which a hundred years ago had no particular influence on world economy, and which developed relatively slowly during the nineteenth century, proceeds to-day by leaps and bounds. It will tow ships of state in its wake, whether the pilots will it or not. They will be tossed about and carried out to sea or cast upon the shore by billows which will be stirred up at the call of an engineer, a physician or an unknown chemist. Modern science creates economic instability and, through it, political instability.

There can be no question of enslaving science. If there is one doctrine on which all thoughtful men agree, it is this : *that progress consists in extending the domain of man over nature*. Science, therefore, is the big factor in human progress. It is a terrible thought. A scientist in his laboratory discovers a new law and, by his test-tube, revolutionises the world ; factory chimneys fall ; working people are condemned to unemployment : those who depended on the overthrown industries lose all they possessed ; overnight, certain states find themselves rendered unimportant while others are made powerful ; conflicts result, leading to struggles which are rendered a hundred-fold more horrible by the inventions of science. Science to-morrow will reveal to mankind secrets a hundred times more dreadful than those she employed with such frightful results in 1914. Unless care is taken, civilisation will be buried beneath the avalanche. Humanity, like the ancient fable of the god who devours his children, will have been developed only in order to destroy itself.

How are we to profit by the discoveries of science and yet prevent the disasters which these discoveries entail ? That is the surpassingly important question. It dwarfs quarrels between communists and individualists. The communist error is to believe that capitalism is the source of all evil and that its overthrow will assure human happiness. The mistake made by the individualists is to imagine that the present economic system must, broadly speaking, be maintained intact. They are both

wrong. Capital was, and is, merely a method of material progress. Science, not capitalism, is responsible for the present disordered state of the world. Science must be disciplined and directed into the proper channels.' The task is not to be shirked. It is only fair to admit that the soviet leaders have tried to grapple with the problem. They have tried to control economic instability by subordinating industry to the general good. But, being ignorant of its complexity and diversity, and being governed wholly by theories, they only succeeded in spreading confusion far and wide. Mistrusting business men and having unlimited confidence in themselves, they thought they could "politicalise" industry, and could solve technical problems in conventions.

What substitute solutions are there to offer?

The *status quo*? *Laissez-faire*?

In that case Stinnes and his followers would be left free to divide the world up among themselves, to smother such scientific discoveries as interfered with their interests and to utilise those which would serve their greed for money and power. They would be free to play the part of great feudal rulers, ever seeking means to destroy one another and ready to hurl the peoples of the world into battle. Europe would become a vast arena where the youths of every nation would play the part of gladiators, while high up in their imperial tribunes the self-appointed Cæsars would urge on or appease the slaughter by a motion of their thumbs. Obedient to the orders of a hireling press, the people would shout or be

silent, would cry out for blood or declare themselves satiated.

Is this the future which awaits our old continent ? Are we reduced to seeking shelter in that rickety erection which has been devised in Russia ? Or must we turn for safety to the insolent fortresses of the modern barons ?

CHAPTER VIII

THE CONDITIONS OF A NEW ORDER

The solutions of the conservatives ; the solutions of reformers opposed alike to reaction and to revolution ; palliatives ; the obstinacy of the oligarchs ; Rathenau's daring but utopian conceptions ; the tendencies of the great English liberal industrialists and of the study group of the Confédération Générale du Travail in France. The eternal conflict between conservative and radical ideals. Partial reforms impossible. Building up the economic state ; its subordination to the political state. European reconstruction requires financial and monetary *rapprochement* and commercial agreements between nations. Intellectual and moral anarchy. The democratic doctrine. The rôle of France in the resuscitation of Europe. An appeal to men of good will.

“WHAT paradoxes ! What exaggerations ! The individualism of Stinnes is not half so terrible as you pretend,” the conservatives will tell me. I speak, let it be understood, of the conservatives who are not the conscious tools of the profiteers and who still believe in the *via media* of 1830.

And they will add : - “ It is true that things are topsy-turvy. The state debts are tremendous and weigh heavily upon production ; they probably are the principal cause of inflation. But these state debts can be reduced to reasonable figures by a nice little system of amortisation, which can easily enough be carried out by levying some more indirect taxes. Give us just fifty—or one hundred—years to bring this about. Stop talking about those

abominable taxes on capital and profits, which deprive good people of their fortunes and ruin industry and commerce. Mr. McKenna himself affirmed it in the speech which we have quoted. All will be well if we return to the excellent financial practices of the days of M. de Villèle and Baron Louis.

“ Industry and commerce are dislocated, you say ? You think that ridiculous customs barriers and abnormal exchange rates have ruined economic relations ? True, but all this will come right with time, which heals all wounds. There is now only one important thing to do—to produce at any cost. Production will cure every evil.

“ We are repeatedly told that Europe will return to work only when the working class is given satisfaction. Indeed, an economist has recently said so in an official document, which states that the working class all over the world are discontented and disillusioned and that in order to cure them of their antipathy to work they must be made to feel that reforms have really taken place in the labour world. We ask nothing better than to give them such a feeling—if we have to go no further ! Indeed, does not our economist declare that ‘ the reforms sought by the working class are not easy to discover and that they seem unable to define them themselves ’ ? If that is so, why should we rack our brains ? All that is necessary is for us to keep on talking and making promises. We will willingly grant some reforms, carefully doctored of course. With these the workers will have to be satisfied.

WHITHER FRANCE? WHITHER EUROPE?

After all, whatever people may say, they have to work to live. You think there will be revolts, perhaps civil war? Come, come, we know how to deal with that!"

Let us sum up what all this amounts to: budgetary economy, the gradual amortisation of the debts, an intensive production, this last to be secured by a few kind speeches and a few small favours granted to the workers, whom an iron hand will crush should the occasion arise. This is the programme which everywhere wins the approbation of the majority of self-styled "orthodox" economists and "conservative" or "moderate" politicians, the servants of tradition and routine who spend their time rushing to the aid of their tutelary god—Order.

Such a programme does not really deserve discussion. Can any one fail to perceive its inadequacy to solve the great problems of the day?

Far removed from the builders of skyscrapers, outside conservative ranks, are a multitude of men who, while wanting neither communism on the one hand nor the domination of feudal lords on the other, realise that Europe must in some way be revived.

What is the programme of the liberals, the radicals, the radical-socialists and the socialists—all those, in fact, whatever their title, who repudiate reaction and yet want to prevent a violent revolution?

They hesitate and dispute, and often their solutions are contradictory. The followers of the oligarchs mock them saying, "Give us a complete programme. If you cannot do this let those ex-

cellent guides—Stinnes, Northcliffe, Thyssen, and the rest—lead you where they will.”

Not at all with the aim of answering this appeal but in order to lay the first foundations of European reconstruction, the men whom we have just described are trying to act together to solve some of the most urgent questions: debts—exchanges—economic relations between nations—relations between labour and capital.

A tax on capital has appeared to most of them as the only practical method of rapidly reducing the state debts. And they are right in the sense that the state debts can only be extinguished by the aid of a levy on private fortunes. But there are many ways of conceiving and carrying out these levies, which can no longer be effected by the simple methods advocated a few years ago. These men seem, in the main, to have understood this. They seem to have understood that a tax on capital would, in many countries at any rate, be productive only if it were joined with inheritance taxes, that under no condition would it of itself suffice to re-establish financial equilibrium, and that it ought simply to be used as the mainstay of great international operations such as we have already described. Speaking before the League of Nations Council at Geneva in September 1921, the Belgian representative recommended (as we had earlier recommended) that the war debts be distributed among the nations. The interest on these debts was to be assured by taxes of the same nature but at rates varying according to the situation of each nation, and based

principally on capital and income. The whole scheme rested on two principal ideas: the creation of a European debt; the sum necessary to this operation to be obtained by levies based mainly on private fortunes and, consequently, proportionate to the wealth of each co-operating nation.

The day when such a theory is applied will see the very considerable simplification of the problem of money and exchange, on which depends the life of Europe.

If this specific remedy cannot be applied, the adversaries of the profiteers ~~are~~ willing to look for palliatives which might mitigate the present economic confusion. They are, of course, opposed to systematic inflation, the panacea of the profiteers, who benefit from it in much the same way that a businessman profits from repeated legal bankruptcies. The distinguishing characteristics of this sort of inflation are cowardice and greed—cowardice, because by the expedient of printing reams of paper money they seek to put off the evil day of settlement—greed, because inflation is nothing more or less than robbing the possessors of small incomes and labour. The patience of the latter will one day be exasperated. Even should the forces of darkness do their worst, they are not powerful enough to perpetuate the reign of unreason. The story of Law and the rue Quincampoix will repeat itself. "Then," as an economist whom we have already quoted observes, "communism will perhaps appear as an intermediary stage, destined to give the death-blow to depreciated securities."

Men of good judgment realise that deflation would be dangerous if it were not accompanied by a complete transformation of the economic system of Europe and they therefore propose stabilising the exchange by a variety of measures, such as the arbitrary revaluing of gold, the return to bimetallism, or the creation of a European institution which should absorb or direct all the note-issuing banks and issue notes of its own which should act as legal tender all over the continent. It is hard to choose between all the possible solutions, but, on the whole, our vote would go to increasing gold production and rehabilitating money, for reasons which we may some day have the opportunity to explain. All call for careful study. Any one of them could easily be worked out if the world were willing to abandon the cult of depreciated money and if the oligarchs were not so fiercely opposed to all expert solutions. They are just as fiercely opposed—for reasons which we have already given—to moderate customs duties and to broad commercial treaties. Yet there is not a single high-minded or disinterested man who does not agree with the statement made by a big American banker a short time ago, namely, that the suppression, or at least the lowering of protective barriers is a question of life or death for Europe.

“There is plenty of time to discuss all these questions later on,” some of the oligarchs reply, “but we cannot do so until we have organised production, and we cannot organise production until we form trusts.”

In meetings arranged not long ago by various

groups of employers, French capitalists discovered the advantages of solidarity; they demanded associations to supervise production and a statistical bureau for information regarding raw materials, even going so far as to agree that the distribution of such raw materials should be regulated by a higher agency. As M. Roger Francq points out, their plans thus had much in common with the programme of the Direction Générale de l'Économie Nationale, founded by the Confédération Générale du Travail, the programme of the Supreme Economic Council created by the Bolsheviks and the programme of the German Economic Council.

Everywhere, indeed, a movement in favour of industrial co-operation is taking shape. There seems to be a universal feeling that the science of industry is still rudimentary. But though there is a general agreement upon certain basic reforms, including the necessity for cohesion between similar or interdependent industries, for organised distribution of raw materials and vital products, and for the cordial and harmonious operation of all the elements of production—owners, technical experts, clerks and workmen—yet profound dissension breaks out when it comes to putting them into practice, when it comes to looking after the consumer's interests and actually creating those agreements between employers and employees without which co-operative organisations are but ephemeral, capitalistic combinations.

Need one point out that in seeking means of industrial concentration the accomplices and emula-

tors of Herr Stinnes think only of ways to strengthen or increase their power? If they agree to state intervention it is because they believe they can profit by it. Whatever they may say, they certainly are not interested in protecting the consumer. They turn their backs on any plan which might curtail their profits, in particular refusing to grant the workers what the latter consider absolutely essential—a voice in the control of salaries and profits and in the management of industry. Co-operation, in the minds of the oligarchs, means subordination.

Lined up in opposition to them are the men of the advanced parties. Their attitude may be described by saying that they believe that in order to save the industry of Europe the present rule of capitalist dictators must be replaced by a rule in which labour and the consumer will be properly represented.

Opinions differ as to how this can be accomplished. In Germany, Herr Rathenau considered that "economic organisation is no longer a private but a collective affair" and believed in increasing state control. He wanted the state to make trusts obligatory and to confer upon them *sovereign rights*, such, for example, as the *exclusive right* to sell certain manufactured articles, whether made at home or abroad, or the right to impose a fine upon badly managed business concerns. These were the two principal features of his plan: obligatory trusts; these trusts given complete monopolies. In this way the state would be both inspector and collaborator in the management of the trusts, it would insist that welfare laws be properly applied

and would exact a part of the profits. The profits of all the industries of the country would be divided as follows: "Reasonable dividends would first of all be paid to investors; the remainder would be divided so as to give one part to the state, another part toward increases in salaries and welfare work, a third to the producers, and the last would be applied to reduce the market price of goods. State and labour representatives would sit in the Administrative Councils and would exercise a right of intervention and control. All internal conflicts would be submitted to arbitration tribunals."

This gives us only a glimpse of Herr Rathenau's vast plan, which envisages a completely "trustified" country, where useless agencies would be suppressed, where superfluous manufacturers would be eliminated, where everything would be ticketed, coordinated, and disciplined, and where the state would leave captains of industry only the authority and the pay suitable to their abilities and services. It is a very interesting conception, but built in Utopia. To subject any country, even Germany, to such minute control appears an impossible task which only the worshippers of order could conceive of undertaking. But this is not the chief objection to it. Its great weakness is that while it confers immense powers upon the industrialists it controls them only by state regulations and by placing in their administrative councils representatives of the state and of labour. What, after all, is the state? It is composed of political puppets and petty bureaucrats. What are its decrees? Paper chains

which the industrialists can easily break. The complexity of business will soon terrify little governmental personages, and they will be put in their masters' pockets.

Although he meant to fight the profiteers, Herr Walther Rathenau would have in the end made them all-powerful. In spite of this there are many valuable details in his plan which we should not overlook—but only details.

The great English industrialists, belonging to the independent labour party, seem more in touch with reality. In a meeting at Grasmere in September and October 1921 they discussed constructive industrial policies and expressed their suspicion of state bureaucracy. They are just as strongly convinced as the German Minister of the necessity for a complete recasting of economic theories, but they fear that permanent state control might prove unworkable and harmful. They are determined to overthrow capital's present autocratic management of industry and to grant labour an extensive control. They proclaim that the interests of the consumer should be protected, that the dividends of inactive capital should be limited and that profits should be divided among the active elements of production—administrative heads, technical experts, employes, and labourers. They hope to attain their aims, not indeed without the aid of the state authorities—that would be folly—but by reducing to a minimum the officials whom they consider useless and by having very few state regulations. Their system is based entirely upon collective con-

tracts between the labour unions and the employers. So far they have not come to any definite conclusions and are still studying various plans.

In France and Italy intelligent men are also studying. In France, this study is taking place principally in the *Confédération Générale du Travail*, the most important plans being elaborated in its study groups. Their bases of discussion have such headings as: the organisation of national economy by labour unions—the nationalisation of big public services, to be administered on business methods by a minimum number of bureaucrats and with as little red tape as possible—general and technical instruction—labour control of industry, as regards both management and profits.

The variety and multiplicity of all these ideas and tendencies attest the activity with which, in every country of Europe, democrats are studying how to bring about the social reforms which they rightly consider indispensable. Divided on many points, they unanimously affirm the urgent need of a revolutionary transformation in the economic field. Their spirit can well be symbolised in the celebrated phrase about the Third Estate, adapted to to-day: "What is labour's part in the organisation and management of economy? Nothing. What should it be? Everything."

"These are mere words," cry the reactionaries defiantly. "You who are opposed to us men of action only know how to talk. You can merely draw diagrams of castles-in-the-air and propose half-baked solutions. You pretend that the very

existence of a free Europe is endangered by what you call anarchical feudalism. You claim to have been assigned the task of salvaging civilisation. Very well, show us what you propose to do ; get together and agree on a complete programme ; submit it to the Chamber in parliamentary form and let it be discussed by public opinion and the press. Until you are prepared to do this, let those whom you disdainfully call profiteers go on with their great task of production. Captains of industry and governments have enormous difficulties to face, as you well know. You complicate their task by your sterile opposition and your perpetual agitation. This is the only thing you accomplish. . . .”

This is not the first time—nor the last—that we shall hear this criticism. It is not new. In just such terms spoke the privileged classes in 1788, on the eve of the French Revolution. But let us answer the protagonists of the oligarchs with examples taken from those great days :

“ You ask us for a complete plan of economic, financial, and social reform. But what man and what party in 1789 had a *complete* programme of reform ? Those who rose up against the abuses of the day had hardly given any consideration to problems of future reconstruction. It was enough for them to proclaim the principles of the great philosophers and writers of the day. Men who had tried to go further either had made grievous mistakes or, attempting to introduce haphazard reforms into the existing royal statutes, had been broken

and cast aside. Have you forgotten the fate of Turgot, who tried, fifteen years before the great event, to carry out sweeping reforms and who was almost instantly dismissed amid the hisses of your prototypes? None of the great revolutionists had a "complete programme." *They were overtaken by events.* They destroyed for the good of the country, smashing archaic privileges of classes and corporations and districts; and it was on fresh ground that the new house came into being, without an architect and without preconceived plans. Why should we be wiser than our forefathers? By what miracle should we possess a foresight which was denied them?

"These are different times," my critics reply. "Destruction was absolutely necessary in 1789. People could no longer tolerate the exemption from taxation of the nobles and the clergy, the inequalities between citizens. To-day there is no such cause for bitterness. All citizens are equal before the law. The land belongs to the peasant—more so every day. Small trades and small industries are not only free to develop as they will but actually enjoy special consideration from the legislators. The middle class, though sorely tried, no doubt, by the war, will recover their old position, thanks to their capacity for work and their thrift. The workmen have no real reason to complain; it is entirely up to them to rise from the mediocrity in which they now vegetate. Any one of them can become a captain of industry. You want reforms. Well, exhibit yours to the nation. We live in a

democracy. Let universal suffrage decide upon their merits."

You dare to say that there are no more privileges—you whose money and position assure your children from birth the education that only occasionally sons of labouring men may enjoy, if they show exceptional intelligence and have good luck! No more privileges? The classes which have inherited the mantles of the former nobility have known well enough how to pour new privileges into the good old mould. On the eve of the revolution of 1789, one might have read in a brochure attributed to Sieyès: "Instead of yielding gently to the action of time, to the influences of light, the nobles have stiffened themselves against them. . . . They have not wanted to lose a single privilege. Nay, they are increasing them. . . ." Those who to-day have taken the place of the nobles do not want to lose a single privilege. Nay, they are increasing them. They are not content to defraud the working man, by redoubling indirect taxes, by swelling the customs charges and by depreciating the purchasing power of money, nor to cheat the little *rentier* by reducing the value of his dividends; they even try to cut down the incomes of their associates.

Allow me to digress a few moments to take up a question which, though apparently of secondary importance, is full of interest—the development of joint stock companies. These companies were originally conceived in order to permit the assembly of the immense capital necessary to found great enterprises, and, at first, they conferred equal rights

upon all who participated in them. But equal rights soon became troublesome and means were found to do away with them. Skilful legislative modifications and clever interpretation of the law allowed the creation of two categories of stockholders—holders of preferred stock and holders of common stock. The former, who often held priority shares granted to them as founders, were endowed by the law with voting powers, while the latter were usually deprived of this right or invested with it to so limited a degree that they never were able to make their will prevail in a general meeting. The plutocrats are able to control stock companies merely by subscribing for, or acquiring, a certain amount of preferred stock with its pre-eminent voting privileges. An ever-increasing number of companies are thus at the mercy of groups which founded them, or which have got control of them, and which are able to take a major share of the profits without fear of a revolt on the part of their associates, whose protests, in any case, can easily be crushed by majorities fabricated beforehand.

I have made use of this simple example to give an idea of how privilege has been strengthened and to testify to the existence of a nobility of wealth.

Yet those whose pens are at the service of the oligarchs dare pretend that there is no occasion to-day for a work of destruction similar to that which was carried out in the French Revolution. The undertaking seems to us so difficult that we doubt if it can be accomplished without an outburst of national feeling, expressed in assemblies where

Labour—in the broadest sense of the word—will take the part that the Third Estate played in the Constituent Assembly.

The supreme question of the day is this: how are we to adjust the political institutions founded by our fathers to the economic forces which have become our real rulers—our chaotic, disorganised, all-powerful rulers?

There are three ways of answering this question. We can drift, and Europe will fall completely under the domination of an anarchical feudalism. We can overthrow everything—which is communism, with its miseries, its ruins, its impossibilities. Or we can subordinate the business interests to the common welfare by destroying privilege.

There is no room for evasion. It is useless to attempt to repair the torn social fabric with patches stuck here and there at random. The good people who continually suggest such and such an excellent but isolated bit of reform remind us of the doctor who attempts to cure an organic disease by local treatments. As Calonne said in his speech before the Assembly of Notables in 1787, which M. Maxime Leroy has opportunely recalled in one of his beautiful pages: “If so many abuses, ever the object of censure, have so far resisted the pressure of public opinion and the efforts of those who have tried to remedy them, *it is because men have wanted to accomplish by half measures what a complete transformation alone could bring about.*”

The solution of the reparation problem—of the

problem of money and exchange—of the question of the public debts—and even of the relationship between capital and labour—are all half-measures which it will be difficult to carry to success because each one of them individually will meet with organised opposition, and because they will not have united support.

Only a complete transformation will produce results. But what form shall it take?

In every country an economic state must be formed within the political state, not above it, as has sometimes been suggested, but definitely subordinated to it. The next step—almost more important—will be to federate these economic states.

This implies two successive developments.

It is obvious that the political state as it was constituted during the last century, when wealth had not assumed such complex forms and economics were more or less stable, is no longer adapted to a civilisation continually disturbed by uncontrolled industrial forces and periodically thrown off its base by new inventions of the human mind.

It was indeed inevitable that the forces of economy, escaping from the control of regular authorities, should constitute a power apart from the state—all the more dangerous since it was both undisciplined and irresponsible, and since it placed private interests above the interest of all. The practice was carried to such lengths that scientific discoveries which promised to benefit humanity, but reduce profits, were said to have been suppressed. The biggest metallurgical firm of France

is even said to have established a special branch to buy up patents, not with the idea of using them but of filing them away where they can do no harm.

There must be an end to all this ; order must be introduced into the chaos. How is it to be done ?

First manifestations of economic organisations are beginning to appear in certain countries. In Norway, a law in force since August 1921 has established working men's councils and has given the workers a voice in the control of every concern employing over fifty men, provided that one quarter of them desire it. In Germany, the law of January 18, 1920, sanctions the creation of working men's councils in firms employing twenty or more men. These embryo reforms, though important, are still very restricted ; the prerogatives of the workers' councils depend, both in Norway and Germany, upon the execution of labour laws, only the merest shadow of power in business management is really conceded and, most important of all, no unified system governs them. Germany has, indeed, tried to go further. Article 105 of her Constitution provides that : "*In order to safeguard their economic and social interests, workers and employ  s shall be legally represented in Workers' District councils . . . and in a Workers' Imperial Council. These councils shall meet with the representatives of the big employers to form Economic District Councils and an Economic Imperial Council, whose duty it shall be to consider all economic problems and collaborate in the execution of the welfare laws.*" This text is very vague and seems purposely to lack

precision. It appears to be one of those worthless compromises between opposite tendencies—which doubtless accounts for the fact that so far it has not been put into practice. The District Councils have never left the paper stage. The Economic Imperial Council was formed on May 4, 1920, but it has not yet been constituted upon the basis of the workers' councils, and employés and workers cannot directly control the nomination of their delegates. Though the laws which the Council has helped elaborate are growing in number every day and though the labour unions have expressed their confidence in this organisation, *which will be a factor in the development of Germany at the expense of her more indolent rivals*, it certainly will not be able by itself to mould Germany nor will it be strong enough first to destroy and later to build up.

Where can the necessary strength be found?

Must we accept the proposals of certain bold spirits, who, impressed by the corruption of the parliamentary régime and aware of the development of unionism, wish to confer power upon the representatives of the various interests? I believe that there is much truth in M. Roger Francq's statement in his remarkable book, *Labour in Power*:¹ "The masses are attracted to sovietism because its characteristic with which they are most familiar is the close participation of the proletariat in the administration of the state. . . . It would be dangerous and useless to ignore the existence of this

¹ *Le Travail au Pouvoir*, by Roger Francq, Paris: Éditions de la Sirène.

attraction." I have already acknowledged that the theory of sovietism—which, after all, is at bottom only the representation of interests—contains an idea which should be made use of, but which should not be emphasised by the creation of a professional parliament. M. Walther Rathenau wrote: "A parliament in which interests were directly represented would exhaust itself in internecine strife; each party could be bought at the price of temporary advantages; spiritual and moral questions, questions touching humanity and the future, would be used as pawns; and the real power would fall to the government, which would manipulate parliament at its own sweet will." Substitute the word "plutocrats" for the word "government" and these might be our own words. And we might add that, under no pretext should economic interests be made predominant, for, in spite of their importance, they will always be secondary in comparison to political interests, which express a nation's life and continuity.

To maintain parliamentary assemblies with political powers (and only political powers), and to hand over to new organisations complete control of the economic state—in a word, to *combine Western democracy and Russian sovietism—this is the goal to be reached!*

It will be achieved by different methods in different countries. As soon as each nation has done away with existing privileges it will seek and discover the formulæ best suited to its particular traditions and genius. Will not France, modelling

its future by its past, tend to form a great Economic Council of State, composed of a majority of representatives of the intellectual and manual workers, elected by the unions or other associations? This Economic Council, which would have at its command various technical committees, would be given the sole right to consider and propose to Parliament (by the sanction of which it would exist), laws bearing on economics, which the nation's parliamentary representatives could then accept, reject or return for further study. It would also be invested with the regulatory power now exercised by incompetent bureaux and by the narrow jurists and officials composing the present Council of State. The Chambers—or the single Chamber—elected by universal suffrage and controlled by popular referenda—would act as a check upon the extreme or unconsidered proposals of the council elected by representatives of interests, thus saving the country from nationalist corporatism, which is quite as dangerous as the dictatorship of an oligarchy.

For let there be no mistake—the nationalisation of production is absolutely vital to Europe, but its development is fraught with peril. It may form the democracies of the world into armed camps by extending the skyscrapers and transforming every nation into a fortress which the masses of that country might prove as determined and bitter in defending as ever the magnates had been. It would indeed be lamentable if the oligarchs were overthrown only to be replaced by more bellicose agencies, if, after having done away with the domina-

tion of man over man inside a nation, the old mentality of the potentates should be spread through the world and opportunities and pretexts for conflicts between nations should thus be increased.

We now approach the second of the two developments mentioned some pages back: nothing decisive can be accomplished if the economic states are not federated.

To federate the production of all the nations would be the ideal solution, but one probably impossible of achievement, for long years to come at any rate. All that can be hoped at the present moment is to bring the European nations together, because they are on the same economic footing and because the catastrophe which they have just undergone in common forces them to share their misery as well as their resources.

A universal *rapprochement* is imperative.

A financial *rapprochement* is essential, since the vital problem of state debts can only be solved by the international methods already outlined. The conversion of these debts, which many people are at last beginning to perceive is necessary, can be effected only by replacing issues of securities. The time has not yet come to show how this might be done; suffice it to say that it should be accomplished in such a way as to imply a definite and final statement of the European debts and to assure the holders of state securities facilities of negotiation and reasonable stability so as to compensate them for the unavoidable and legitimate reduction of dividends.

WHITHER FRANCE? WHITHER EUROPE?

Equally essential is a *rapprochement* from the monetary point of view. Ordinary common sense would dictate the dissipation of the present grotesque confusion which renders the reconstruction of Europe impossible.

Reconstruction will be brought about only if industry will work in harmony internationally, only if nations can agree upon the all-important questions relating to the distribution of raw materials, market, customs, communications, the reasonable exploitation of natural resources, the common use of discoveries and the organisation of a scientific technique. The delegates of the parliaments or of the economic councils, sitting in a European assembly, could then consider these problems and, by degrees, might be able to elaborate a unified economic and financial code for the whole Continent.

What a long and arduous road, full of sloughs and bogs, with many a halting place upon the way! We will not presume to describe it or to predict how it shall be travelled. Even as it took generations of pilgrims to put in place the stones of our beautiful cathedrals, so the structure of the future will be built by successive hosts of the world of labour, which will need many long years to perfect their task. The important thing now is to make a start in the right direction.

The communists will of course cry out that all such plans are inconsistent and inadequate and that the feudalists can only be overcome by violence and

by the radical elimination of private property from the society of the future.

I would not renew an already exhausted argument were it not that I want to appeal to reason through general considerations. The extremists remind me of Ibsen's *Brand*. Like him, they have lost their way in a church of ice, the air of which is too rarefied for normal men to breathe. Yet they cannot fail to understand that there is only one way to save our present civilisation (if this is not their aim, then discussions between us are useless), and that is to found a genuinely European economy; further, they must understand that to accomplish this they must take into account psychological as well as material factors. Now is there a single man, apart from a few dreamers, who conscientiously believes it possible to do away with private property in twentieth century Europe or who thinks that even the most advanced democracies are ripe for such a transformation?

The facts speak for themselves. The founders of Russian Communism themselves admitted that it could exist and develop only if it spread to other nations. In this it did not succeed. Its defeat is explicitly admitted and the retreat has been sounded. The soviet régime is gradually approaching a stage of being one of the moderate movements which we have described. Only a few isolated visionaries remain in the church of ice, where their leaders are abandoning them with only a few shreds of theories to keep them warm. The leaders are beginning to realise the error of their violent up-

heaval. They made the mistake of trying to put their theories into practice. Why did they never lift their eyes from their weighty books, where economic hypotheses are set down as immutable laws, to glance through the works of Michel de Montaigne? They would have come across this timely warning: "Human enterprises must be handled roughly and without too great attention to detail, and a good part of them left to luck."

And now I hear the nationalists mock: "What, you quote this saying, full of Latin *finesse*, without seeming to realise that it condemns the vague utopias and the fine dreams that you love, that it justifies us in believing that, in difficult times like these, one must be led by circumstances and handle human enterprises in the large."

Our answer is short and simple; one thing only can justify political empiricism—success.

Let us draw up the balance sheet of the last few years; let those who have governed directly or from behind the scenes, be judged by it.

Here is the account in four short sentences: industry, commerce, and agriculture, hemmed in by ridiculous barriers, are suffocating; national debts are crushing some of the peoples and unbalancing the continent; exchange is running riot; amid the ruins are rising in ever greater numbers the fortresses of the plutocrats, who, having made large profits out of the great idea of patriotism, wish the present state of affairs to continue indefinitely.

If they are left free to do in the future as they

have done in the past, they will kill Europe, whose only hope of salvation lies in a vast revival.

Such a revival presupposes a common mentality and the crystallisation, around a single ideal, of all the many confused aspirations for continental unity.

What is that ideal to be ?

In one of his books, Guglielmo Ferrero declares that the present condition of Europe is similar to that of the Roman Empire at the beginning of the third century, just before it suddenly crumbled away. "If," he writes, "Europe possessed strong governments whose authority were recognised, the marvellous means which civilisation has at its disposal would permit reconstruction to proceed apace. But, ruined by war, sunk in misery, faced with every kind of political, economic, military, and diplomatic difficulty, and lacking governments capable of governing, Europe may well sink into prolonged anarchy. The history of the third and fourth centuries enables us to guess what its fate would be. The principle of authority is the keystone of every civilisation ; when a political system dissolves into anarchy, civilisation in its turn rapidly decays. . . .

"The danger of anarchy is even greater to-day. In the third century the state and civilisation broke up into two religious beliefs, paganism and Christianity, both of which set a limit to intellectual and moral anarchy, and, indirectly, to political anarchy. Then every man possessed at least a few ideas and principles which he would maintain unshaken even were the whole world to come to an end. To-day

political anarchy, which the decay of all principles of authority might let loose upon Europe, would be added to the most complete intellectual anarchy the world has ever known. . . ."

We have quoted from Ferrero at some length because his views closely correspond to some of our own. But they must be taken with certain reservations. If he uses the term "principles of authority" in its literal and traditional sense, if he means that governments built on the old model could restore Europe to its former position for the old-fashioned reason that they possess a well-equipped police force, he is indeed doomed to disappointment. He sees things as they are only in so far as he points out the disintegration of authority and demands a complete economic as well as political organisation of the nations, through which, guided by the public weal, a single authority should find means of expression, instead of the fragmentary and misguided authority of the present day.

The historian of ancient Rome is right, on the other hand, in denouncing the prevailing intellectual anarchy. He simply does not sufficiently emphasize the fact that, although not entirely responsible, the war (by misleading men and debasing the general level of thought) played a chief rôle in its development.

However serious may be the conflict's economic consequences, these are perhaps less important for the future of humanity than the psychological transformation which it has entailed. Almost five years of savage warfare have accustomed men to

massacre and every sort of murder. The increasing number of political assassinations, the exploits of the Black-and-Tans in Ireland and of the Fascisti in Italy, the pogroms, riots, and summary executions in Central and Eastern Europe, seem almost normal occurrences to-day and move us very little. Few seem to realise that these epidemics of violence, and more especially the tacit consent which accompanies them, throw us back into the world of horrors which Voltaire depicted in his *Candide*. The late nineteenth and early twentieth centuries will probably not be recorded in history as a period of great spiritual development or of great creative intelligence, but they were humanitarian epochs. Everyone believed, and was entitled to believe, that he would see the growth of the ideals of fraternity and world solidarity and that these ideals formed the substance of a new gospel of human dignity and nobility. A few years of butchery have sufficed to wipe out all feeling of responsibility for the lives of others, and to revive homicidal instincts which men had hoped were for ever buried in the lowest human quagmires. How did the dregs come to the surface so quickly?

Professor Schwiedland, a liberal and intelligent German author, has written: "It is regrettable that the new German Empire gave Europe no new ideal from 1871 to 1914 and completely surrendered itself to the cult of brute force and dreams of world hegemony." This thought deserves to be completed. Not only has Prussia—of which Mirabeau said over one hundred and fifty years ago that it

did not constitute a state but was simply an army—failed to give Europe any ideal, but it has done its best to grind to dust the conceptions of liberty, altruism, and generosity which were the watchwords of the French Revolution. Victorious Prussia spread its reactionary currents all through the old Germany of Goethe.

The victors of to-day, at the same time that they guard against committing the mistakes made by the victors of yesterday, must do their best to repair a widespread evil. It is a very serious matter that, during more than forty years, a power upon whom military success had conferred a special prestige should have undermined the ideals of the great revolutionists and the great European liberals.

The savageries of the world war, when aspirations for peace were branded as crimes, when science was debased to mere destruction, when pity was trampled under foot, have sowed the last seeds of doubt in the minds of simple people who no longer know where to look for light.

A beacon light must be lit to guide the footsteps of the anxious and weary masses. The eyes of Europe must be lifted up toward the broad horizons of liberty and understanding and universal brotherhood.

Futile reactionaries propose that we should turn back to the monarchs of a past day and to the hierarchies of religion and family which were their chief props. As if one could at will restore to men a belief which in most countries they have long since lost and which, even in those where it still

survives, is being fast dissipated by sovereigns who recklessly hurl their peoples into carnage and defeat! As if one could stem the rising tide of custom which is day by day dissolving religious organisms and disrupting family life! One may regret these facts, but regrets are vain.

There thus remains only one doctrine for Europe to adopt—the democratic doctrine. The ideals of 1789 and 1848—true liberty, real equality, effective justice, and the right of men to live and to dispose of themselves as they see fit—have never been carried to their logical conclusion. The opposition make the most of this, crying out that the democratic doctrine has failed. They forget that it has had to wage a double battle—on the one side against its traditional political enemies—on the other against economic forces which have sprung up in its path. With both adversaries democrats have had to compromise—in order to get the better of them. And they have succeeded. The disappearance of the Central European Empires, the tremendous consequences of which cannot yet be estimated, sets the seal to their success.

But what has so often happened in history may be repeated; the democratic doctrine, sore pressed in its arduous struggle, may well die of its victory unless it can recover its youth by realising to the full its social and economic aims. The peoples of Europe can only undertake this great task successfully if they are guided and upheld by the victorious nation which is strongest both economically and politically. Whatever may be the appearances,

WHITHER FRANCE? WHITHER EUROPE?

however hard our vain and revengeful nationalists may have tried to paralyse her true spirit, France has succeeded in keeping her framework intact. "She has managed," writes Ferrero, "by a tenacious and sometimes terrible effort, extending over more than a century, to found and maintain democratic institutions. . . . She is able to-day to reap the reward of her long labour." This author believes, like myself, that our country is to be entrusted with the highest of all possible missions, the mission which we have tried to point out in the course of this book : the task of reconstructing Europe.

The states of Europe, if once they are organised politically and economically on a democratic basis and joined one to the other on an equal footing, can continue to exist and can even recover their past glory. But if they remain disorganised, without any common ideal, perpetually at war with one another and a prey to the plutocrats, they will enter upon a permanent decline. Perhaps the process will be gradual. But the fact that it will be varied by occasional periods of vitality will only serve to make it the less perceptible to most people, who will also fail to notice the return of barbarism which both Herbert Spencer and Renan so greatly feared.

Some invalids, fearing to submit to a necessary surgical operation, spin out a life which becomes daily more miserable. Momentary accesses of vitality hide from them the fate which their blind obstinacy has made inevitable.

Death and destruction and the return of barbarism

—these are inevitable if the peoples of Europe quail before a *revolutionary* reconstruction!

Revolution—a magnificent word which ought to terrify nobody!

If it be vain to draw up exact plans for the society of the future (whose fate would be similar to the constitutional projects of the indefatigable Sieyès), it is equally vain to pretend that overthrowing plutocratic privileges, nationalising production, disciplining science and uniting Europe is not a revolutionary undertaking.

Revolution!—Evolution, if the word better suits the timid! It can only be made ready and turned from ways of violence by the disinterested, who are, after all, the source of all progress. It sometimes seems as though the high-minded men who, in different countries, stand aside from the hurly-burly of greed and egoism, can accomplish little. As a matter of fact their power is tremendous. They are in a position to question, inform, and enlighten the public opinion of the world, and to keep before it a true picture of the present state of Europe. They can win the world's support if they unite, if they realise how frivolous are quarrels over programmes and parties and how criminal it is to dispute over "the sex of angels" when the citadels of light are about to fall into the possession of the ghouls and misguided weaklings who are already raising altars to the Golden Calf and the Goddess of Hate.

The temples of the false gods will fall only if disinterested and intelligent men, obedient to the

WHITHER FRANCE? WHITHER EUROPE?

sacred claim of Europe's welfare and casting aside the inertia which in every period of decline wraps itself about men's souls, respond to the call of their country and of civilisation—if they realise that they can and must, by written and spoken word and by action, overcome the torpor which of old submerged Byzantium—if they remember the *Uane, mane, tekel upharsin* of those verses of Verlaine which can serve as an epigraph to this work :

*Je suis l'Empire à la fin de la décadence,
Qui regarde passer les grands Barbares blancs.*

INDEX

- Agnelli, 138
- Agriculture, French, 68
- Armament profits, 28
- Austria—
 - agricultural revolution, 70, 74
 - bureaucracy, 6
 - relief in, 138
 - rural co-operation, 72, 74
- "Balance sheet of war," 54, 56
- Baldwin, M., 103
- Balkans, havoc in, 56
- Banks, influence of, 20, 21, 24
- Bastiat, 11, 13
- Bavaria—
 - "Green Rising" in, 71
 - revolution, 73
- Belgium, 103
- Bills of Exchange, 42
- Bismarck, 14
 - on protection, 118
- Black-and-Tans, 199
- Blockade, effects of, 56, 71
- Bolshevism—
 - in Hungary, 71
 - in Russia, 155, 156
- Boris, George, 38, 39
- Bossuet, 105
- Bourgeoisie in France, 3
- Bright, John, 14
- Cæsar, Gallic Wars, 92
- Calonne, 187
- Capitalism, 37, 53
 - and reconstruction, 53
- Cartels in Germany, 19, 23
- Central Europe—
 - agricultural revolution, 69
 - aristocracy, 6
 - bureaucracy, 6
 - land cultivation, 71
 - ruined manufactures, 61
 - sovietism in, 152
- Clemenceau, G., 108
- Coal, importance of, 59
- Cobden, Richard—
 - free trade, 12
 - doctrines of, 13, 14, 18
- Collectivism, 163
- "Comité des Forges," 58
- Communism, 153, 194, 195
- Cost of living, increase in, 63
- Customs barriers, 11
- Czecho-Slovakia—
 - coal resources, 138
- Daily Express*, 113
- "Dead weight" capital, 34
- Debts—
 - France, 32
 - Great Britain, 32
 - interest on, 34
 - national, 30, 31
- Defline, 59
- Dubois, Joseph, 147
- Dumping, 18
- "Échos, Les," 101
- Engel, 35
- England—see Great Britain.
- "Ère Nouvelle," 102
- Europe—
 - anarchy in, 197
 - as a world factory, 58, 61
 - democracy, 201
 - distribution of war debts, 176
 - economic recovery, 54, 187
 - production in, 49, 58
 - production only hope, 143
 - resources in coal, 60
- Exchange, 42, 50, 52
 - chaos in, 42, 51, 145
- Exportation of capital, 37
- Fascisti, 199
- Ferrero, Guglielmo, 197
- Feudalism in nineteenth century, 11

INDEX

Flaubert, on war, 27

France—

- administration, 2
- agriculture, 55, 66
- assets in 1921, 54
- budget, 83
- coal imports, 59
- coal resources, 168
- debt, 32, 36, 96, 126
- exchange, 52
- foreign policy, 5
- labour control of industry, 182
- lost wealth, 55
- middle classes, 79
- need of economic reform, 81
- peasantry, 66
- population, decrease of, 55
- production in, 49
- small holders, 68
- "special accounts," 90
- taxation, 31, 83, 92, 94, 102, 145
- unrest in, 66
- war loans, 88
- war losses, 121

Francis Joseph, Emperor, 70

Franco-German war, 106

Francq, Roger, 178, 190

Frankfort, Treaty of, 106

Free Trade, 11

French Revolution, 9, 10, 184, 186, 200

Fuel, coke, 167

Gas fuel experiments, 167

German cartels, 19

Germany—

- bankruptcy, 131
- burcaucracy, 6
- cartels, 19, 180
- coal resources, 59, 62, 135, 138
- commerce, 101, 114
- debts, 31, 115, 109
- exchange, 52, 132, 141
- exports, 113
- hegemony, 199
- indemnity, 106, 112
- middle classes, 79
- pre-war resources, 58
- prosperity, 140
- trusts, 180
- workmen's councils, 189

Gibson, 141

Gide, Charles, 63

Gladstone, W. E., 11

Gold and paper currency, 44

Gorky, Maxim, on rural production, 75

Great Britain—

- Civil Service, 5
- coal fields as assets, 58
- foreign policy, 5
- free trade, 11
- government, 5
- industrial co-operation in, 178, 192
- labour party, 181
- middle classes, 80
- national debt, 31
- taxation, 87, 131
- war losses, 57

Great War, responsibility for, 23

Guilds, utility of, 150

Hapsburg, Charles of, 73

Herriot, M., 103

Hilferding, 21

Hohenlohe, Prince, 71

Holland, prosperity of, 51

Holy Alliance, 10

Hoover, on world's food resources, 74

House, Col., 108

House of Commons, 5

Hungary—

- agricultural revolution, 70, 71

Peasant holdings, 71

Ibsen's "Brand," 195

Inizan, deputy, 67

International Finance, 22

- Brussels Conference on, 1920, 63

Italy, devastation in, 57

Janson, M., 103

Japan, war debt, 36

Jaurès, 1, 20, 21, 149

Jezé, M., 86, 102

Joint Stock Companies, 185

Journalism, influence of, 6

Kaiser, the, 71, 130

Kautsky, 7

Key Industries Bill, 103

Keynes, Prof., 107, 122

Kouropatkin, 8, 25

Labour and Capital, co-operation of, 34
 Labour in power, 190
 Labry, Raoul, 153
 Leach, Dr., 49
 League of Nations, 175
 Lebas, Marthe, 27
 Lenin, 151, 155, 156, 161, 165
 Liberalism in Europe, 8
 Lloyd George, D., 26, 108

Mckenna, R., 45
 on inflation, 173
 Marx, Karl, 9, 35, 157
 Masterman, C. F., on middle classes, 77
 "Mes Prisons," 6
 Metallurgical industry, 15, 24, 27, 58, 167
 Mirabeau, 199
 Money, Sir Leo Chiozza, 58
 Monopolies, 17
 Montaigne, Michel de, 196
 Morizet, M., 75
 Mun, M. de, 150

Nation, the, 131, 137
 National debts and inflation, 46
 National debts in France, 30
 Nationalisation of production, 192
 Nicholas II, 8
 Norway—
 workmen's councils, 189
 Noyes, Pierpont, 49

Occupied territory, 119
 Oil profits, 29
 Paper currency, 46
 Paris commune, 152
 Parliament, Great Britain, 5
 Peace Treaty, 80, 107
 Peel, Sir Robert, 11
 Petrol, 166
 Plehve, 8, 25
 Poincaré, R., 105
 Poland, havoc in, 56
 Pontius Pilate, 26
 Press, the, 4, 24
 Press, influence of
 Production, 34
 Production, nationalisation of, 192

Profits, war, 28, 29
 Profiteering, 78, 133, 151
 Protection, 14, 19, 100
 Protection after the war, 40
 Protection in France, 11, 37
 Proudhon, doctrines of, 12, 13, 18

Rathenau, Herr Walther, 191
 middle classes in Germany, 79, 143
 trusts, 179, 180

Renan, A., 202
 Reparations Commission, 108, 115

Revolution of 1789, 10
 Ricardo, 43
 Rousseau, 13
 Rumania—
 agriculture, 70
 Russell, Bertrand, 165
 Russia—
 absolutism, 8
 agricultural revolution, 69, 75
 bureaucracy, 7
 havoc in, 56
 home industries, 160
 revolution, 151, 152, 157, 162
 soviets reverting to old conditions, 76, 151, 161

Schwiedland, Prof., 199
 Science, revolution in, 169
 Seefried, Baron, 70
 Shipping profits, 4
 Sieyès, M., 185
 Simon, Saint, 20, 21
 Soviets in Russia, 77, 153, 157, 159

Spain, prosperity of, 38, 51
 Spencer, Herbert, 202
 Spinning industry, 18
 Steel industry, 15, 24
 Stinnes, Hugo, 135, 139, 142, 170, 172, 179
 Switzerland, prosperity of, 38, 51
 Syndicates, banking, 20

Tariffs in Germany, 14
 Tax on capital, 175
 Tax on trade, 15
 Tax on wages, 51
 Tisza, Count, 6
 Trotsky, 151

INDEX

Trusts, in America, 72
Trusts, in Europe, 139
Turgot, M., 184

United States, America,
coal resources, 59
debts, 31, 36
trade resources, 129
trusts, 73

Verlaine, M., 204

Wages and co-operation, 64
Wages reduced by taxation, 65
War losses of allies, 121
War profits, 39

Wells, H. G., 165
Westminster Gazette, The, 131
'While Europe waits for Peace,'
49
Wiesbaden agreement, 115
Wilson, President, 106, 122
Witte, Count, 8, 130
Wolowski, M., 106
Working class and cost of living
63, 173
World's debts, 34, 122, 128, 171
World's economic crises, 38
Zagorsky, M., 75, 153, 160
Zokolnikoff, M., 159
Zollverein, 12, 117



